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Interview With Duray on Postelection Prospects

92CH0682A *Budapest BESZELO* in Hungarian
19 Jun 92 pp 28-29

[Interview with Miklos Duray, a leader of the Hungarian minority in Slovakia and president of Coexistence, by Ilona Kiss; place and date not given: "A Deliberate Defeat? Miklos Duray on the Election in Slovakia"]

[Text] [Kiss] I was surprised to read your Tuesday statement in NEPSZABADSAG in which you said that the only political force with which it is possible to discuss European and minority issues is the Christian Democratic Movement of Jan Carnogursky, Slovakia's former prime minister. But a few weeks ago you people refused to form an election coalition with the Hungarian Civic Party (MPP) specifically because its ministers did not resign from the Carnogursky government. Isn't there some contradiction in this?

[Duray] This is not a contradiction. It merely shows how relative everything in politics is. It is true that, during the Slovak National Council's parliamentary term just ended, Carnogursky's party and Coexistence stood at opposite poles. Among the parliamentary parties in Slovakia today, however, Carnogursky's party is the only one that espouses European values. We have to admit that the parties which find the democratic rules of the game acceptable and lean toward liberal ideology have suffered a serious defeat. And I do not regard their defeat as accidental. During the past two years these parties failed to notice in which direction politics in Slovakia was heading, the very politics whose foundations they themselves had laid down and whose politicians they themselves had trained when the grand coalition was in power. At the same time I think that certain political forces have deliberately brought about the defeat of these parties.

[Kiss] Deliberately?

[Duray] Yes, and that is the strangest thing. Instead of forming an election coalition, two parties that had been in the ruling coalition, namely the Democratic Party and the Civic Democratic Union, decided to run separately in the elections and to develop their own campaigns. They were unable to form an election coalition. As if someone had tossed an apple of discord between them, so that they would not join forces.

[Kiss] Who did that?

[Duray] Those who want to accelerate Czechoslovakia's disintegration.

[Kiss] Do you mean Meciar and his followers?

[Duray] I cannot identify them. But I am unable to find a reasonable explanation as to why these two parties were unable to form a coalition in which they could have joined forces, within the limits of the 7-percent threshold that the Electoral Law specifies.

[Kiss] If it was in anyone's interest to drive a wedge between the liberal parties so as to keep them out of parliament, then it logically follows that this "they" includes you people as well. After all, there is every indication that it would not have served your interest either had the Hungarian Civic Party won parliamentary seats.

[Duray] It was not possible to form a four-way coalition.

[Kiss] Then does this mean that you people had ruled out a four-way coalition in advance and did not reject it specifically because the Hungarian Civic Party failed to meet the set conditions?

[Duray] We offered to include the Hungarian Civic Party's candidates in our list, but without their entering into a coalition with us. However, we could not form a four-way coalition because we figured that it would not be possible to meet the 10-percent threshold the Electoral Law would have required in that case. And as it now turns out, we figured correctly.

[Kiss] And if you had excluded another party—i.e., some party other than the [Hungarian] Civic Party?

[Duray] That did not happen because we were unable to agree on a political platform we could have supported. We started out from a critique of the [Hungarian] Civic Party's activities during the past two years, and our conclusions excluded the possibility of seeking new policies jointly. Not to mention the fact that it is difficult to conduct an election campaign when coalition partners hold diametrically opposite views on certain political issues of key importance.

[Kiss] Meciar, Slovak sovereignty, Bos [Gabcikovo]-Nagymaros. What standpoints will you adopt on these issues?

[Duray] What standpoints we adopt will be of no consequence whatsoever. Meciar has the parliamentary majority necessary to pass a declaration of Slovak sovereignty.

[Kiss] Accordingly, Slovakia will become independent?

[Duray] Yes. Now only some divine spark could make Slovak politicians realize that this is not the most opportune time for independence. They are very certain it is, that politically the time is ripe for it specifically now. Yet Slovakia is totally unprepared for independence.

[Kiss] Are you people already planning what strategy to pursue in an independent Slovakia?

[Duray] Yes, although the theoretical possibility of preventing the country's disintegration should not be abandoned just yet. Admittedly, the politician entrusted with forming a federal government—namely Vaclav Klaus—and Meciar have not been able to agree on essential matters so far. Nevertheless, a theoretical possibility does exist. If Slovakia were to form a government that could approach to some extent the political alignment in

the Czech lands. In that case, of course, neither the Slovak National Party nor the Party of the Democratic Left could be in the ruling coalition. Instead, Meciar and his followers would invite Carnogursky and us. That could reduce to some extent the threat of a split. But I wish to emphasize that this is merely a theoretical possibility. So far as Carnogursky is concerned, its likelihood is minimal because Meciar personally cannot tolerate Carnogursky's company. And if he were to invite only us, we would refuse as a matter of course. It would be possible to slow down the processes, we believe, only if we were in the ruling coalition together with Carnogursky's party.

[Kiss] Remaining in opposition, will you be formulating a more definite antiseparatist program than up to now?

[Duray] We are not rejecting even now the right to self-determination. Separation does not rest with us. In opposition, we do not have to pursue an antiseparatist policy. As a member of the ruling coalition, we would, but that is unlikely, as I have said. We now have to devise a strategy for the period after separation. It would be unreasonable to devise a strategy for a situation that is unlikely to survive. Incidentally, the possibility of separation is by no means something new; Gustav Husak said already at the last party [CPCZ] congress that three constitutions were needed, and one of them would be the constitution of a sovereign Slovakia. In this situation, therefore, the only remaining question is whether we are able to bring together an alliance of democratic forces that sets rapprochement as its objective.

[Kiss] But that exactly is what you people rejected when you excluded the Hungarian Civic Party, your "natural partner," from the election coalition. Don't you think that, specifically in this region, the role of the so-called ethnic parties needs to be reexamined? As Sonja Licht argued just in last week's issue of BESZELO, one of the main causes of the crisis in Yugoslavia is that ethnic parties, rather than civic ones, opposed one another in the election two years ago.

[Duray] I am not convinced that the aforementioned exposition is entirely valid. For surveys prepared by the Social Research Institute of Pozsony [Bratislava] reveal that specifically our movement, the supporters of Coexistence, are committed the most strongly to parliamentary democracy, economic reform, and so on. The number of our supporters can be put at several tens of thousands, and they espouse civil values. The problem is that the main political forces in Slovakia start out from the concept of the nation-state, and that cannot be reconciled with 20th-century civic values. The only way out is for the main political forces to seek contact with those who do not agree with them.

[Kiss] I must again point out that, two years ago and for the very same reason, you people practically anathematized the Independent Hungarian Initiative, the Hungarian Civic Party's predecessor.

[Duray] But the Slovak movement whose government the Independent Hungarian Initiative joined no longer

stood for its original program. When we formed Coexistence in February 1990, the very first organization we contacted was the then Public Against Violence. We encountered an entirely rude rejection, although our advances then could still have been regarded as natural, on the basis of our program. The one-time leaders of Public Against Violence are now the principal activists in Meciar's party, and Meciar himself received his training as a politician there. That is what should have been noticed at the very beginning. We saw already in the spring of 1990 in what dangerous direction Meciar was heading. Yet he was the one entrusted with forming a Slovak government after the election.

[Kiss] In your statement to NEPSZABADSAG you said that opposition from political parties in Hungary was the cause of the dissension among the Hungarian parties in Slovakia. Do you have direct, personal interference in mind?

[Duray] When political parties started to organize at the beginning of 1990, mutual influence was exercised on the basis of earlier personal contacts. It is interesting that the MDF [Hungarian Democratic Forum] sought out those who favored the tactic of independent Hungarian politics, mainly Coexistence. But FIDESZ [Alliance of Young Democrats] and the SZDSZ [Alliance of Free Democrats] focused their attention almost exclusively on the parties in the ruling coalition. Unfortunately, they projected this attraction into their subsequent relations as well. We then sought in vain to establish contact with these parties; we were rudely rebuffed and, regrettably, they sometimes tripped us up even before international forums. Initially we had very good relations with the Liberal International, yet we have been unable to become its member. Certain political parties in Hungary described us in a way such that we were not admitted. I know directly from a staff member of the Liberal International that FIDESZ and the SZDSZ both spoke out against us.

[Kiss] Are you rooting for Havel?

[Duray] It is unlikely that he will be elected. He needs three-fifths of the votes in the first round, and he will hardly get that. Klaus wants to be prime minister. In this case I know of no politician who would be acceptable both in Slovakia and the Czech lands.

According to information received by our editorial office, Gyula Popely, the president of the Hungarian People's Party, said in a statement—published in UJ SZO of Pozsony—that his party would have been willing not to take part in the election as a separate political entity, and instead to run a certain number of its candidates on the coalition's list, but without identifying their party affiliation. In other words, the coalition would have had to meet only the 7-percent threshold. However, the Coexistence-MKDM [Hungarian Christian Democratic Movement] coalition offered the Hungarian Civic Party to include merely three of the latter's candidates in the coalition's list of 160 candidates, but without mentioning the Hungarian Civic Party as a member of the coalition. The Hungarian Civic Party rejected the offer.

Cases of Prosecution for 'Incitement' Detailed

92CH0683A Budapest BESZELO in Hungarian
23 May 92 pp 5-7

[Article by Gabor Halmai, an expert of the Constitutional Court: "What Is the Tolerance Limit of Intolerance?"]

[Text] *The Constitutional Court has rendered a decision on whether the criminal law's prohibition of incitement against the public is compatible with the fundamental freedom of expression. This landmark decision protects the fundamental freedoms of speech and expression, but upholds as constitutional the criminal prosecution of incitement to hatred that threatens to disrupt domestic tranquility. The author of the following analysis is an expert of the Constitutional Court.*

Particular Criminals

According to *Magyar Ertelmező Keziszotar* [Concise Hungarian Dictionary of Definitions], a criminal is a person "who has committed one or more (serious) crimes."

One would hardly think that under the Hungarian laws now in force the above definition could be met just by publishing the following sentence: "These days I am often reminded of what my father used to say about politicians being like prostitutes: Billing and cooing one minute, but swinging their purses and hitting each other over the head the next." Yet in 1991 the Public Prosecutor's Office charged the author of those lines with the graver (felony) form of incitement against the collectivity, as defined under Section 269, Paragraph 1, of the Criminal Code and punishable by up to three years' imprisonment. (BESZELO reported that case in its 19 October 1991 issue.)

The first product of the fundamental legislative activity following the "trilateral roundtable" talks in 1989 was specifically a law amending the Criminal Code enacted on behalf of the opposition at that time, as an attempt to weed out from the Criminal Code the vague provisions that lent themselves to arbitrary interpretation. In the course this, the felony of incitement from among the crimes against the state, and the misdemeanor of insulting the collectivity as an offense against public order, were lumped together into incitement against the collectivity, a criminal offense against domestic tranquility. At the same time, the state's constitutional order and its alliances, friendships, cooperative, and other international relations were omitted from among the interests that the new crime's definitions aim to protect. On the other hand, commission before the public at large was made an essential element of the crime's definition.

Cases of Incitement Against the Collectivity

Until recently, Section 269 of the Criminal Code defined two forms of incitement against the collectivity that were clearly distinguishable. An essential element of the

felony under that section's Paragraph 1 is incitement to hatred against, respectively, the Hungarian nation, a nationality, people, denomination or race, and individual groups within the population. And according to Paragraph 2 whoever uses an expression that is insulting or demeaning to the Hungarian nation, or to a nationality, people, denomination or race, is guilty of a misdemeanor.

Incitement to hatred can disrupt domestic tranquility because it implies the danger of using or threatening to use violence. But that cannot be said of the less serious form, referred to as "abuse" in the justice minister's exposition on the Criminal Code bill.

ANARCHISTA UJSAG, August 1991

In late August 1991, on well-founded suspicion of a misdemeanor—i.e., the less serious form—of incitement against the collectivity, the police seized as "material evidence" all available copies of ANARCHISTA UJSAG, No. 4/1991, a newspaper that the Budapest Anarchist Group published and distributed during the pope's visit.

An editorial entitled "Yet Another Circus," for instance, depicted the Holy Father as a representative of authoritarian and dictatorial political power, the antithesis of the anarchists' ideal of a society without government or law.

"He looks on with tolerant meekness as people crawl in the dust before him and a prayer full of gratitude soars high in celebration of this shameful humiliation of man." "The Church is not a question of faith. If it were, Catholicism would be nothing other than a personal conclusion drawn from personal conviction, and then also the pope's visit would be merely the private affair of Hungary's Catholic citizens rather than a national cause advertised for months in advance.... The pope is politics because he converts, preaches, prescribes, and influences.... The pope is power." (ANARCHISTA UJSAG, No. 4/1991)

(BESZELO also reported that trial, in its 12 October 1991 issue.)

BEKES MEGYEI HIRLAP

At the complaint of an MDF [Hungarian Democratic Forum] deputy of the National Assembly from Bekescsaba, criminal proceedings were instituted against a regular contributor to BEKES MEGYEI HIRLAP because of his political comments, on felony charges—i.e., the graver form—of incitement against the collectivity. According to the plaintiff, the ominous article "incitement to hatred against individual groups within the population." And the injured groups are identified as "elected deputies of the National Assembly, elected councilmen of local governments, elected leaders of political parties, and in general all persons who play an active role in politics."

"We are getting to hate the word politics because the country is being corrupted and plunged into ruin for political interests. What sort of politics and what kind of interests are they? Whose interests are being served? It is horrifying to think that a 'compromise' between keynote speakers foaming at the mouth on the one hand, and shifty despots on the other determines our future. Is this, too, within their 'scope of authority'? What a bunch of 'legitimate' idiots. All those disgusting words make me want to puke. I get skin rashes just from hearing them" (BEKES MEGYEI HIRLAP).

Aron Monus

In the summer of 1991, copies of a book published in Szeged and entitled *Osszeeskuvés: A nietzschei birodalom* [*Conspiracy: The Nietzschean Empire*] began to circulate in Budapest. Its author, Aron Monus, is a Hungarian living in France, and the publisher is allegedly Interseas Editions, a French firm. Over two hundred and some pages, this confused anti-Semitic "work" attempts to prove that for more than a century a conspiracy of Freemasons, Jews, Zionists, communists, and plutocrats has been holding the world in its power. In support of his arguments, the author also quotes about 20 pages from Hitler's *Mein Kampf*. The Office of the Prosecutor General instituted criminal proceedings against the author on well-founded suspicion of incitement against the collectivity, and all available copies of this lucubration have been seized as material evidence.

A Gendarme's Fortunes

Likewise in the summer of 1991, the Public Prosecutor's Office instituted criminal proceedings against Jozsef Szendi, a one-time member of the Arrow Cross Party and war criminal, the author of a book entitled *Csendorszors Hernadnemetitol Floridaig* [*A Gendarme's Fortunes From Hernadnemeti to Florida*]. It was published by the Miskolc local of the MDF. According to the indictment the former gendarme's memoirs are replete with expressions that could incite hatred of Jews and Gypsies.

HUNNIA, No. 18/1991

In May 1991, a member of the opposition in the National Assembly put a question in parliament to the prosecutor general "in the matter of certain phenomena on the extreme right." In his question the deputy demanded, among other things, that the editors of the periodical HUNNIA, as well as the authors of certain articles appearing in that year's No. 18 issue of the periodical be charged with incitement against the collectivity.

The periodical contained as many as two articles by a certain Viktor Padanyi. One of them, under the suggestive headline "A Few Words About the Jewish Catastrophe," is a reprint from the author's book *A Nagy tragedia* [*The Great Tragedy*] published in Australia.

There were 1.5 million Jews among the approximately 60 million victims of World War II. Of the Jewish

victims, 1.2 could be attributed to the Soviets and 300,000 to the Nazis. The number of Jewish victims in Hungary was on the order of 10,000 rather than 100,000. Padanyi attempts to justify even that number by claiming that the Jewish policies of the Nazis and their allies were motivated by "the customary hatred toward a belligerent enemy, with whom the Jews were collaborating." According to Padanyi's interpretation, the psychological basis of the Jewish catastrophe was the homeless "Jewish soul" unattached to either country or family; and it was a justifiable demand of persons throughout the world that there be an end to economic and cultural domination by a minority that numbered between 2 and 7 percent of the population on average. Therefore, the author concludes, the Axis powers had a right to defend themselves against traitorous Jews and to round them up into camps where discipline was not "unfair and malicious." The death rate of Jews began to rise when the flower of the German nation went to the front and the administration of the camps was "diluted" by Jews and "previously unknown blackmarketing in foods and other rationed items suddenly raised its head." (Summary of Viktor Padanyi's article in HUNNIA.)

Sad to say, it was specifically at a session of parliament's Human Rights Committee (!) that a deputy of Hungary's National Assembly, the very same Zsolt Zetenyi who subsequently gained fame as the sponsor of a bill on the statute of limitations, referred to Padanyi's essay as a scientific work.

Padanyi's other article rated as intolerable the legal category of war crimes, and called the war criminals convicted in the countries of Eastern Europe "the flower of the five small nations innocent of the war."

Nobody Charged Over HUNNIA, No. 21

However, no criminal proceedings were instituted in conjunction with the No. 21 issue of HUNNIA, in which Istvan Benedek published his opinion of Padanyi's articles.

"We always knew that the figure of six million victims was greatly exaggerated. And we also knew that the Jews—estimated at 1.5 million by Padanyi—were also the victims of warfare, and not just of the Nazis.... It is typical that for nearly a half century now an entire world organization has been talking about the tragedy of the Jews; but there is profound silence about the other 50 or 60 million victims and the horrors of retribution.... Padanyi demonstrates the absurdity of the concept of war crimes. To my knowledge this is the first time anyone has pointed that out and made it absolutely evident through arguments and examples. Whoever loses a war is guilty" (Istvan Benedek, HUNNIA, No. 21).

Since then, incidentally, HUNNIA has not ceased to publish writings whose goal is to minimize the Holocaust. The periodical's February 1992 issue contains the details of a brochure that was published in the United States and includes the following passage: "It should be noted that many people, including Jews, are questioning

whether the Holocaust actually happened the way it is being described by Zionist propagandists, at least so far as its scope is concerned." These words rhyme with yet another overseas report, according to which in the United States "lately it has become difficult to even keep track of the many books, essays and articles questioning the 'killing of six million Jews.' The estimates range widely, from 100,000 to several million."

SZENT KORONA's 14 Remarks

In February 1991, the Public Prosecutor's Office for the 10th and 17th districts of Budapest filed charges against the editor in chief, his deputy, and the responsible editor of the weekly SZENT KORONA over a total of 14 remarks contained in articles that appeared in various issues of the weekly's Volume II of 1990. Two of the 14 remarks on which the charges were based constituted misdemeanors of incitement against the collectivity while the rest were felonies.

According to the indictment, both of the two "abusive" remarks were insulting and demeaning to the Hungarian people. One is to be found in an article entitled "The Quincentennial of King Mathias's Death" that appeared in the weekly's 7 March 1990 issue:

"The Establishment discarded King Mathias, together with our entire national history like threadbare and outmoded rags. They would like to march boastfully into Europe, if Europe were willing to welcome the bolshevized Hungarian hoard from the Balkans" (SZENT KORONA, 7 March 1990).

And the other self-assessing remark is to be found in an opus entitled "Thoughts on Trianon" that appeared in the 4 July 1990 issue:

"For the flower of the nation is living on territories annexed by other countries.... Not here, where being Hungarians matters to merely a few. And the majority professes its own demagogic, and the demagogic put into its head" (SZENT KORONA, 4 July 1990).

In the opinion of the Public Prosecutor's Office, the hatemongering remarks are directed against Romanians and Jews, respectively. An example of the former are the following reflections contained in an article entitled "Transylvania Once Again" that appeared in the weekly's 25 April 1990 issue: "The entire Romanian history, and we say this with full responsibility, is nothing other than a series of breaches of faith and of switching sides.... Therefore we have a right to terminate the Hungarian-Romanian border, effective immediately."

The following passage demanding "a national Hungary," from an open letter that was addressed to the minister of culture and education and appeared in the 7 August 1990 of the weekly, was the basis of a charge of incitement to hatred against Jews:

"It was not the Hungarian people who brought our country to bankruptcy and financial ruin, and we do not have to submit subserviently to the dictatorship of Jewish capital" (SZENT KORONA, 7 August 1990).

On the very first day of the trial of the SZENT KORONA editors, their defense attorney introduced a conditional challenge to the court's impartiality "in case any member of the bench happens to be an ethnic Romanian or of Jewish origin."

Cases Suspended

After denying the challenge, the presiding judge suspended the proceedings and requested the Constitutional Court to decide whether the Criminal Code's provisions regarding incitement against the collectivity are compatible with the freedom of expression enshrined in the Constitution. Until the Constitutional Court's decision, the courts and the Public Prosecutor's Office both suspended proceedings in all pending cases involving incitement against the collectivity.

What Does the Constitutional Court Say?

In its decision rendered this week, the Constitutional Court upheld the constitutionality of the crime of incitement to hatred as defined under Section 269, Paragraph 1, of the Criminal Code, but declared unconstitutional and avoided the criminality of "abuse" as defined under Paragraph 2. In its reasoning the court started out from the premise that the freedom of expression plays a prominent role among the fundamental rights entrenched in the Constitution, actually being a sort of "original freedom" from which the so-called "communication-related" fundamental rights derive. In the court's view, the freedom of expression protects a person's opinion regardless of its inherent value and truth because that alone agrees with the Constitution's ideological neutrality. On the other hand, the definition of "abuse" is truly qualified in accordance with the opinion's inherent value, and disruption of domestic tranquility has become associated with it only by assumption and on the basis of statistical probability.

Domestic Tranquility and Tolerance

Moreover, the court pointed out, domestic tranquility itself is affected by the situation regarding the freedom of expression. To wit, public opinion tends to be more tolerant wherever people encounter a diversity of opinions; but even an occasional unconventional voice might upset domestic tranquility in a closed society. On the other hand, unnecessary and disproportionately strict abridgement of the freedom of expression acts against an open society. Because, in such a society, anyone who is "abusive" brands himself an "abuser." The response to "abuse" ought to be criticism rather than punishment under criminal law—argue the guardians of the Constitution. But at the same time they added that the collectivity's dignity may be the constitutional limit of the freedom of expression. Consequently, the court's decision does not rule out the possibility of setting such a

limit by enacting legislation that goes beyond the definition of incitement to hatred. In the opinion of the justices, however, the collectivity's dignity can be protected effectively also by other legal means; through the wider awarding of punitive damages, for instance.

When May Fundamental Rights Be Abridged?

Incidentally, the Constitutional Court has already considered on several other occasions the constitutional conditions for abridging fundamental rights. According to the precedents established by the court, the following conditions must be met if the abridgement of fundamental rights is not to be regarded as arbitrary: There must be some compelling reason for the abridgement—the enforceability of another fundamental right, for instance. This objective must be commensurate with the severity of the injury caused to a fundamental right in the interest of the objective's realization. The statutory abridgement must be suitable for achieving the given objective. At the same time, the legislators must choose the mildest of the available means.

It will be worthwhile to examine more closely whether the definitions of incitement in the Criminal Code meets these conditions.

Can it be said that—in terms of extent, compelling reason and common sense—the abridgement of the freedom of expression, through the definitions of incitement is commensurate with the injury to a fundamental right that the abridgement is causing?

The reason for abridging a fundamental right may be the enforceability of another fundamental right. In order to accept that the reason for abridgement is a compelling one when there is a collision of fundamental rights, of course, it is necessary to prove that the protected fundamental right is "stronger" than the one being abridged on its behalf. In my opinion, the legislative intent behind penalizing "abuse" as defined under Section 269, Paragraph 2, of the Criminal Code was not to make enforceable some fundamental right entrenched in the Constitution. Consequently, there is no compelling reason to justify such abridgement of the freedom of expression. For this fundamental right means that the state is not authorized to abridge the freedom of expression as long as there is no danger of disrupting domestic tranquility.

In a democratic rule-of-law nation, of course, it is desirable to develop a political culture in which one does not use expressions insulting or demeaning to nations, nationalities, peoples, denominations or races, and refrains from similar behavior. But that objective cannot be achieved at all by legal means, or only at the cost of drawbacks that far outweigh the advantages.

The situation with regard to the constitutionality of the graver form of incitement against the collectivity—the felony defined under Section 269, Paragraph 1, of the Criminal Code—is quite different. In my opinion, the

use of criminal-law sanctions to curb expressions containing incitement to hatred is not automatically unconstitutional. At the same time, I do not think that every incitement before the public at large—against, respectively, the Hungarian nation, a nationality, people, denomination or race, and specific groups within the population—ought to result in criminal prosecution.

The Limit of Impunity

I myself would draw the limit where impunity ends at inciting expressions of opinion that harbor the danger of violence, and hence the danger of disrupting domestic tranquility. At that point, we are no longer dealing with an opinion, but with passion or anger inciting to violence. Expressions beyond that point cease to be opinions because they lay no claim to the venting of feelings and attitudes; instead, they become criminal offenses that do not require any explanation. To quote Benjamin Constant: "If the outcome is a criminal act, talk instigating the commission of that act must be punished. The same rule applies to writing as well. But if they are not a part of any crime, then—just as in the case of the freedom of speech—they must enjoy complete freedom." This view finds support also in J.S. Mill's reasoning: "We can never be certain that the opinion we are attempting to suppress is wrong, and even if we were certain, its suppression would still be harmful."

Poll on Antall-Goncz Struggle: President Favored

92CH0714A Budapest MAGYAR HIRLAP
in Hungarian 2 Jun 92 p 5

[Unattributed article: "Poll on the Goncz Affair; Who Has Benefited?"]

[Excerpt] The controversy that began over the jurisdiction of the president of the Republic seems to have triggered a boomerang effect. That is the most important conclusion that can be drawn from a quick survey on the issue conducted by Median Public Opinion and Market Research, Inc., among telephone customers in Budapest and five large provincial cities.

The Goncz affair has generated quite a public reaction: 89 percent of those asked stated that they had heard about the controversy regarding the jurisdiction of the president of the Republic in connection with the firing of the president of Hungarian Radio. These people felt that the dispute was primarily between the coalition and the opposition, and secondly between the prime minister and the president of the Republic. When asked to identify the different sides to the dispute, 64 percent of those questioned mentioned the government parties; 51 percent named the opposition; 41 percent gave Jozsef Antall's name; 37 percent recalled Arpad Goncz; 12 percent remembered Csaba Gombar; and five percent thought one was Elemer Hankiss.

People are putting most of the blame on the government parties and the prime minister for causing the conflict. At the same time they have also been quite critical of the

opposition parties. The two media presidents and the president of the Republic have received a much smaller share of the blame.

Some 57 percent of those questioned felt that Arpad Goncz was completely without blame; 45 percent had the same opinion about Elemer Hankiss; 40 percent shared that view about Csaba Gombar; 19 percent believed the same about the opposition parties; 13 percent spoke in support of Jozsef Antall; and 5 percent felt that the government parties were vindicated.

The fact that people tend to place most of the blame on the progovernment forces for what has happened suggests that most of them have accepted the assertion that the government parties are to bear the blame and discount the argument that the opposition, the radio or the president of the Republic were at fault (see table). The controversy that began over the jurisdiction of the president of the Republic has only amplified the differences of opinion people have about the president and the

prime minister. Asked to comment about the two politicians, most people said that the outbreak of the conflict did not affect the way they had felt about them before. Most of those whose opinion did change, however, spoke more positively about Arpad Goncz, and less favorably about Jozsef Antall.

In spite of everything, people in general did not view the controversy that had erupted around the issue of the president's jurisdiction as anything tragic, although most believe that the conflict has contributed to the deterioration of the political situation, with a few even convinced that it has done a lot of damage.

The subdued public view of the controversy was paralleled by a moderate sense of pessimism about political conditions in general. Some 39 percent of those asked felt that the political situation was rather serious; 33 percent thought that conditions were average; and only 23 percent believed that things were really bad. (Three percent had a fairly positive view of the situation.)

Comments Regarding the Conflict, Expressed in Percentages

To the statement that...	Agree	Disagree	Do Not Know	Total
Government politicians are bothered by Arpad Goncz's popularity	64	15	22	100
The government parties want to establish sole control over the radio and TV	55	24	21	100
The government parties are bent on getting Arpad Goncz removed	45	30	25	100
The opposition wants to paralyze the government	29	45	25	99
The controversy surrounding the president of the Republic will throw the country into a crisis	25	53	22	100
The radio has become a forum of the opposition	15	62	23	100
The president of the Republic is abusing his power	5	78	17	100

Police, Army To Share Patrolling Duties

92CH0775B Budapest NEPSZAVA in Hungarian
20 Jun 92 p 5

[Article by (szabo): "According to Dr. Muranyi, the Big Question Is Whether the Army Can Keep Its Distance From Public Law Enforcement; Joint Patrolling Is Potentially Violating the Constitution"]

[Text] We raised questions and got answers yesterday from Colonel Istvan Kelemen, commander of the Budapest garrison, in connection with the purpose of, and the legal basis for, a joint police and military patrol. We presented the colonel's information to our readers in our Friday issue, from which they learned that, as a result of the 1991 directive issued jointly by the army chief of staff and the national police chief, the garrisons and the partner police organizations made agreements in 1992 on cooperation in joint patrolling as well as on the method of implementation. According to the colonel's information, joint patrolling does not violate either the Constitution or the defense law that is in effect because, although it is true that the requirement of cooperation between the armed forces in guarding state security and

public safety was stricken from these legal documents, the omitted text referred to police activity while joint patrolling falls under a different category.

We asked Dr. Zoltan Muranyi, legal expert on constitutionality, how he assessed the cooperation between the garrisons and the police organizations. Is everything in this affair legally correct?

"I begin with what, according to common sense, makes the police officer and the soldier patrolling together acceptable. I may be wrong but, to my knowledge, there are not enough police officers and they can barely cope with their tasks. At the same time, soldiers—allowed to leave their bases in civilian clothing—often lose proper control once alcohol has done its work. Police officers are afraid of drunken soldiers. This, then, is an element to be considered. However, this also means that the organization's inertia also plays a role in the issuance of such a directive. But it is also true that internal army regulations still include some that can be connected to 'police activities.'"

Zoltan Muranyi further stated that he does not assume that either the garrison commanders or the police chiefs

had any suspicious motivations in the affair of joint patrolling. Moreover, he does not want to make any unbecoming assumptions with regard to the intentions of their superiors. True, they are continuing a tradition of several decades, which may or may not be good in principle. All in all, however, Muranyi finds the institution of joint patrolling unacceptable, for it carries the potential of using joint patrols for law enforcement, i.e., police tasks, in case of misconducts, disturbances, or demonstrations. Muranyi thinks that, amid the present confusing regulations, one can accept that joint patrolling does not fall under the same category as that of the passage omitted from the defense law and the Constitution. But this would make a continued practice of joint patrolling dangerous and unfortunate because it is to be feared that in a critical situation, such as the cabbies' blockade, the political establishment would not make the fine distinction that is being discussed at present. It is Muranyi's opinion that the big question is whether the military can keep its distance from public law enforcement—which is prohibited by the Constitution.

Privatization of State Farms Accelerated

92CH0665A Budapest *FIGYELO* in Hungarian
11 Jun 92 p 1

[Unattributed article: "No Land, No Time; Privatization of State Farms Amounts to 100 Billion Forints"]

[Text] Rumor has it that the privatization minister banged on the table and said that besides the 15 estates belonging to the Treasury, he did not want to see another state farm. His exasperation may be understandable, as far as that is possible in the case of economic processes, because last year a decision was reached on the privatization of only four state farms.

This year, 25 of them have already knocked on the door of the State Property Agency [AVU] with their plans for transformation, but there has been no decision yet on the plans. To be sure, the Ministry of Agriculture [FM], which has drawn the state farms into its own sphere of authority, requested all state farms to submit their privatization programs by 31 March, but no action has been taken on the programs.

It was beginning to look like the fate of the state farms was the prize in the wrestling match between the AVU and the FM. The outcome of the match was doubtful, but it was ended with the rumored banging on the table.

Based on the accelerated—according to some, too accelerated—program, the state farms would have to submit their plans for decentralization by 30 June. Following this step, the AVU consultants (three counseling firms) will examine the more than 100 plans within two weeks, by 15 July, and forward them together with their opinions, to the Privatization Consulting Committee. The committee will have 15 days (until 30 July) to submit the proposals it has accepted to the AVU board of directors.

When the documents bearing the last stamps and signatures finally arrive back at the state farms that have submitted them, the farms will have to implement the decentralization that will facilitate privatization by 1 October, and they will have to draw up their plans for transformation.

The AVU has to make a decision by 15 October on the further course of the transformation and privatization of state farms. Transformation proposals themselves will have to be submitted to the board of directors by 1 November, and the board, in turn, must make a decision by 31 December.

This is not an everyday task, as the property owned by the state farms, not counting the land, exceeds 100 billion forints. Because of the six or seven months that have been wasted so far, the deadline is very tight. One must say honestly that there were few alternatives, because if the matter of the transformation and privatization of state farms had been postponed any further, mass bankruptcy and liquidation would have been imminent.

Now the only question is whether one can find prospective buyers who would be willing to pay for the property the state farms are offering for sale, at the same time, without acquiring the ownership of the land itself.

Privatization of IBUSZ Travel Agency Complete

92CH0665B Budapest *FIGYELO* in Hungarian
11 Jun 92 pp 1, 9

[Unattributed article: "IBUSZ After Changing Hands"]

[Text] Almost two years after phase one of the process of privatization (issuing stocks and introducing them to the stock market), the State Property Agency [AVU] "succeeded" in selling 56 percent of the stock of the Foreign Tourism, Procurement, Travel, and Shipping Company, Inc. [IBUSZ], for a much lower price than would have been possible two years ago. Many even doubt that what occurred in this case is really privatization.

However, from our conversation with Erika Szemenkar, managing director and president of IBUSZ, and Miklos Szigethy, the deputy managing director of the Bank of Commerce, it appears that the bank in its role of majority shareholder is trying to be a very "careful owner." In turn, the company's management is pleased that the privatization is finally completed and hopes that this step will clear up the nervous tension surrounding IBUSZ (and with it, the manipulation of public opinion), which has been playing a role in the hectic fluctuation of the company's stock.

This is very much needed in order that now with the active assistance of the majority shareholder, the management of IBUSZ will be able to devote its entire attention to the continual renewal of the company's business policies and strategy, and to the efficient implementation of those decisions.

The first step, which we can safely say was also an important one in economic history, was prepared by the managers of IBUSZ, because at the time they started it, there was no State Property Agency yet. On the other hand, privatizing IBUSZ by entering its stocks on the Budapest stock market was the AVU's idea in opposition to the company's management, which did not consider it an ideal solution because of the very doubtful calculation of prices. And events since June 1990 have proved them right, because after the absurd peak values of the first weeks, the 4,900-forint price quoted for the stock at its issue (with a 1,000-forint face value) was hardly ever surpassed, or even reached, on the market.

It is a small tragicomedy of domestic events that the director of the AVU at the time was dismissed, among other reasons because in government quarters even a rate of 490 percent was found too low. On the other hand, the company's management is regularly faced with the dissatisfaction of small stockholders who bought IBUSZ stocks at the initial, unrealistically high prices.

Naturally, the company's directors and its managers had their own ideas about the second phase of privatization—the sale of 56 percent of the company's property remaining in public ownership—and they informed the Property Agency of their plans. Life had yet another rebuff for them: The management of IBUSZ thought the state would keep the promise it made at the time the stocks were put on the market, and having chosen this way of privatization in phase one, it would sell the majority of the property shares on the open market as well. Now the company's management is faced with the disapproval of mostly foreign stockholders who question the state's decision to sell the stocks through a closed bid, and on top of that, to sell 49 percent to a single buyer, the Bank of Commerce (K & H Bank).

While she understands the worries of the "old" stockholders, Erika Szemenkar advises patience, saying that only time can provide an objective evaluation of the events. After phase one of privatization, the company underwent a thorough structural transformation, the most important step of which was the foundation of the IBUSZ Bank. In Szemenkar's opinion, it is apparent already now that an ownership with a large trade bank as the principal shareholder is not the worst solution.

The Bank of Commerce was only interested in owning the majority share of the stocks, which it would have found difficult to acquire on the open stock market because from an investor's point of view, buying a few IBUSZ stocks is not a profitable undertaking yet. Miklos Szigethy, first deputy director general of the K & H Bank, firmly rejected the very widespread notion that the K & H Bank was only motivated by the indirect ownership of the IBUSZ Bank, and by IBUSZ's network of offices, which can be operated as a network of banks servicing the population. But in his position as majority shareholder, he sees a good chance to further the internal transformations, which had already begun, to better utilize and increase the company's property, and in turn

to increase the market value of the bank's investments. From a business point of view, the K & H Bank regards itself as a professional investor in IBUSZ.

The Bank of Commerce (or rather the consortium of investors led by it, in which the National Social Security Administration also participated) was required to develop its strategic plan concerning IBUSZ as a part of its bid submitted to the AVU. In the course of developing that plan, the experts at the bank held regular consultations with company officials and both sides' views of the company's future were very similar.

According to an official of K & H, the plan also reveals that there is no question of a limited investment concept, in which the majority shareholder would only be interested in the IBUSZ Bank. The majority shareholder also thinks that the basic task of the largest and oldest travel agency must be preserved, by conforming to the pace of competition and by improving the quality of its service. But on the other hand, management has already started down the path of the future: Investment activity in connection with tourism (i.e., partial ownership of hotels, travel insurance companies, tourist publishers) and the IBUSZ Bank, which arose from tourist services, must be strongly developed. The totality of activities grouped around tourism is a special company value that must not be endangered. And the fact that the further development of this complex system of services is a condition for IBUSZ's successful operation in the future has been pointed out, unfortunately, very poignantly by military conflicts that threaten traditional tourist activity.

According to a strategic plan under development at the moment—based on the three pillars that already exist in the company's activity—IBUSZ could be transformed in the future into a group of companies in the form of holdings. Then, in the course of including further capital, one can discuss again whether an association of professional or financial investors would be more desirable. Foreign tourist companies have indicated recently that they would like to acquire stock, but only in the tourist portion of IBUSZ.

To what extent can the Bank of Commerce be regarded as a professional investor in the IBUSZ Bank? The widely discussed speculations treat this almost as a fact. In that respect, Miklos Szigethy departs from the obvious position of ownership: The K & H Bank is the principal owner of IBUSZ and not of the IBUSZ Bank. Thus, it can influence the affairs of the IBUSZ Bank through strategic and business decisions concerning the company's investments. But if asked by the management of IBUSZ or the IBUSZ Bank, K & H can contribute its experience to the everyday operation of the barely one year old financial institution, as well. However, K & H says it will refrain from interfering, so to speak, in everyday matters.

Nevertheless, both the management of IBUSZ and the Bank of Commerce will soon begin preparations to

satisfy the regulations of the law concerning financial institutions, according to which by the end of this year IBUSZ must decrease its ownership of its own bank to 25 percent. It would be too early to postulate hypotheses in the matter, but it may be worthwhile to note that the limitation by law does not apply if the bank is owned by another bank....

Financial Situation of IBUSZ (31 December 1991)

Capital in Stocks (in million forints)	
Amassed Property	1,320.5
—Hungarian balance	4,992.4
—Consolidated balance	2,607.1

MNB Report on Individual Savings Analyzed

92CH0742A Budapest FIGYELO in Hungarian
18 Jun 92 p 4

[Unattributed article: "Truth at Current Prices? What Are Individual Savings Worth?"]

[Text] In its annual report to the regular meeting the Hungarian National Bank [MNB] indicated that household savings last year amounted to far more than expected. (See: FIGYELO No. 24, 1992.) And that is (would be ...) cause for rejoicing because the Finance Ministry claims that these savings could finance the budget deficit that already exceeds 78 billion forints and is expected to amount to between 160 and 180 billion forints by year's end.

Both statements are factually correct, but some, not quite nonessential refinements are needed in order to

obtain an undistorted, clear picture of the situation. Otto Lukacs, our statistical expert, calculated individual savings during the period beginning in 1980 and ending on 31 January 1992, and he did so in both current prices and based on constant prices. Further, he calculated the way individual borrowing evolved and compared (the percentage ratio) of that to savings. He reached the following extremely interesting conclusion, one that should teach a lesson to both bankers and financial professionals.

While individual savings have indeed continuously increased over the past 12 years if counted in current values, the same statement is simply not true if savings are calculated in constant values. The growth trend was sudden, but not unexpectedly broken in 1990: In that year individual savings were lower by 20 percent, and in 1991 by 28 percent than in 1988.

Further, individual borrowings represented 53 percent of individual savings in 1980, and had reached the 68 percent level in 1988. That was followed by a drastic change: The forced repayment of housing loans, high interest rates, a plummeting standard of living and other factors reduced the borrowing/savings ratio to 27 percent today.

Based on these facts we take the liberty to supplement the MNB's situation analysis by saying that the volume of individual savings have increased only if counted in current, i.e., inflationary prices. And the financing of the budget deficit is indeed possible only because individual borrowings have dropped tremendously.

But for how long is it going to be possible to finance the budget this way?....

Individual Savings at Both Current and Constant Prices and the Volume of Borrowing by Individuals, 1980-92 (in Billions of Forints)

Year	Total Amount of Individual Savings*	1980=100	Consumer Price Index, 1980=100	Total Savings at Constant Prices	1980=100	Individual Borrowing	Individual Borrowing as a Percentage of Total Savings
1980	216.6	100	100.0	216.6	100	115.8	53
1983	288.8	133	120.0	240.7	111	167.9	58
1985	355.3	164	139.1	255.4	118	224.0	63
1988	495.7	229	183.8	269.7	125	334.6	68
1990	632.0	292	277.1	228.1	105	368.0	58
31 Jan 1992	867.3	404	452.1**	193.8	89	235.6	27

* Savings deposits, cash, bonds and stocks

** Calculated on the basis of a solid, 20 percent price index in 1992

Study Assesses, Compares Salaries, Benefits

92CH0742C Budapest FIGYELO in Hungarian
18 Jun 92 pp 1, 33

[Article by Z.M.: "Study on Income: Growing Salaries, Declining Premiums"]

[Excerpt] Hay Management Consultants, Ltd. (the Hungarian office of The Hay Group International consulting chain) prepares income studies of public and (mainly) joint enterprises twice each year. Their latest analysis is based on March 1992 data and reveals the compensation and bonus award policies of 32 firms.

Hay uses a uniform method throughout the world to analyze income situations in given enterprises. They evaluate and compare various positions and work functions by using a point system based on experience. Points are calculated on the basis of three factors. They are: problem solving, responsibility, and knowledge. A large enterprise manager carries greater responsibility, so he receives more points than the director of a small business organization. Similarly, from the standpoint of problem-solving, a larger number of points are awarded to those who, in the long term, exert greater influence on the future of the company; persons who fundamentally determine its future. Outstanding authorities in a given field receive the highest number of points from the standpoint of knowledge and candidates lacking a professional background receive the lowest number of points. Depending on individual achievements, aptitudes, abilities and opportunities, the ultimate number of points thus developed may deviate by plus or minus 20 to 30 percent from the number of points assigned on the basis of the three criteria.

The highest possible number of points to be achieved in Hungary today is 1,500. Only highly qualified large enterprise managers having great experience and great responsibility have a chance to achieve that number within the point system. At the largest companies in the world, such as Exxon, the point value to be assigned to the presidents could exceed 5,400. Considering all entrepreneurial ventures in Hungary, the Hungarian peak number of 1,500 could be achieved only by a few managers at best. No one came close to the maximum number of points at the enterprises examined most recently by Hay. Typical point ranking ranged from 300 to 1,000. The positions examined ranged from deputy division directors to managing directors.

In the six month period since the previous assessment, fixed (basic) salary increments have ranged between 16.6 and 35.7 percent. The largest raises were generally given to persons at the highest levels of leadership. The spread of the average gross income was not as great as that of fixed salaries; it ranged from 13.1 percent to 24.7 percent. That means that enterprises have granted more fixed salary and wage increases than before, and that they reduced the award of variable premiums. In some instances, however, they fixed the maximum level of premiums at double the amount of the annual basic salary or wage.

Firms also participating in last year's survey showed basic salary and wage increases well below the inflation rate. Such increases ranged between 17.0 percent and 23.9 percent. Increases in gross income have ranged between 15.2 percent and 24 percent since September 1991. In the financial sector, and mainly at the upper management levels, premiums were a significant part of income before, but now, such premiums are awarded at or below the level of basic salaries.

Some 70 percent of the firms examined utilize some form of incentive award. Bonuses awarded to everyone

in an enterprise, or everyone in management is most common. In bonus award systems covering everyone in a company, the amount of the bonus to be paid is determined on the basis of the size of profit. Relative to upper management, however, individual achievement and the development of the firm determine the amount of premiums paid.

None of the firms had pension systems other than that provided by the social security system. In contrast, 40 percent of the firms provide life insurance for their employees. None of the firms provided health insurance for all their workers, and only 10 percent of the firms used that incentive to motivate their respective management. Disability insurance to supplement sick pay in excess of amounts provided by social security also exists only at 10 percent of the firms.

Official vehicles are the most fashionable incentives at enterprises nowadays. Some 70 percent of the firms examined take advantage of that opportunity in conjunction with work functions that require cars. That is characteristic primarily of business and sales positions. Generally speaking, employers also pay for the cost of fuel in those cases. Status cars, on the other hand, i.e., irrespective of needs established by actual business trips, are granted only to persons above a certain management level. The minimum level is 406 points, which generally corresponds with the status of a deputy division director.

In addition to the above incentives, some enterprises also use other methods to motivate their employees. For example, they provide various—typically housing-related—loans, provide an opportunity for employees to purchase stock (including management buyouts), extra leave and reimbursement of expenditures.

Some 75 percent of the firms surveyed intend to change their incentive system in the future. Among the new incentives they mention changes primarily in the pension system, cars, and supplemental sick pay.

Netherlands To Aid in Environmental Cleanup

92CH0775A Budapest MAGYAR HONVED
in Hungarian 12 Jun 92 pp 34-35

[Article including interview with Colonel Janos Szonyi, engineer and deputy chief of the Hungarian Army's Directorate of Maintenance and Quarters, by Tamas Zilahy; place and date not given: "Environmental Protection and the Armies"]

[Text] The environmental damages caused in Hungary during the past decades are well known. The prevention of further damages and repairs will take several years and cost 10 billion forints and, for this reason, any foreign aid earmarked for these purposes will be welcome. In accordance with an agreement that was signed earlier by Defense Minister Lajos Fur and his Dutch counterpart, the Dutch will take an active part in this work. A three-member delegation of experts, lead by a

Dutch colonel who is an environmental protection engineer, spent three weeks in Hungary last month. The Dutch experts and their Hungarian colleagues visited eight sites and, after processing their data electronically, chose the area of the Kecskemet and Ercs bases for surveying and repairing environmental damages.

As Colonel Janos Szonyi, engineer and deputy chief of the Hungarian Army's Directorate of Maintenance and Quarters, informed the MAGYAR HONVED, Hungarians collected detailed data and made site maps and aerial photographs at the request of the Dutch. This work has just been completed, the requested data will be sent to the Netherlands in the coming days, and the Dutch experts on environmental protection are expected to begin their activity in Hungary later this month or early next month.

[Zilahy] Colonel, how much are the Dutch planning to spend on this project?

[Szonyi] The Dutch Government allocated 5 million guilders, i.e., about 200 million forints for study and remedy. The Dutch party would do the drilling, lab tests, and the subsequent repairs at its own expense; we would have to pay only for the room and board and transportation of those working on this project.

[Zilahy] How long would this project last?

[Szonyi] It is still too early to talk about that, however, soil samplings and lab tests are expected to take three to six months, and the actual repair work would begin after that. We know this much: The Dutch party would brief its partners at the 1993 NATO general meeting on the status of its Hungarian project.

[Zilahy] It is well known that the Netherlands takes great effort in protecting its environment. Do you have any information on the role of soldiers in that?

[Szonyi] The Dutch are way ahead of us in this area. And the fact that this is so is due in large part to the role that their soldiers have played and continue to play. The soil protection and soil purification projects that were carried out by the Dutch defense have cost an estimated 500 million guilders, and their objective is to complete this project nationwide within 10 years. This is one reason why we must greatly appreciate the fact that they now want to make use of their decades-long expertise in this area in Hungary too.

[Zilahy] All this is really commendable, but it is only a drop in the ocean of money that we need to spend on environmental protection in view of the situation in Hungary. How much money does the Directorate of Maintenance and Quarters have for this purpose?

[Szonyi] This year we have 10 million forints in the form of a special credit.

[Zilahy] This is very little indeed.

[Szonyi] This is another reason why we must really appreciate the 200 million approved by the Dutch Government. But I would like to emphasize that repairing the environmental damages caused by the former Soviet troops should not be the task of the Defense Ministry or the Army. If for no other reason than that most former Soviet establishments are now being managed by the State Property Agency. Our main task in this area should be to avoid any environmental pollution and damage at the locations of our troops, at the training fields and the firing ranges. And, it is well known that this does not always cost money; a little organization, attention, and good intentions are often enough. It would help if the population would join us in this.

[Zilahy] What are you referring to by this?

[Szonyi] In a few days, I will take part in inspecting the training field at the Torokbalint plain, where great amounts of construction rubble and waste are continually being dumped. I do not even have to say that this is done not by soldiers but by civilians. Last year, and this year too, we caught several illegal dumpers, but to no avail. Unfortunately, this area is managed by the HM [Ministry of Defense] and, consequently, local authorities always take us to task in every such case.

[Zilahy] You must also have some more uplifting experiences in the area of environmental protection.

[Szonyi] I do, and I confess that I talk about them more gladly. So much the more as our energy conservation program is increasingly in line with the protection of the environment, i.e., the most energy-efficient methods are also the best for the environment. During the past five years, the Army's specific use of energy decreased by 2 to 8 percent annually, although even this quantitative decrease meant a financial increase. In several areas, we succeeded in eliminating the sources of loss and in introducing new processes and technologies, most of which were investments that pay for themselves within a single year.

[Zilahy] Would you give one or two examples?

[Szonyi] The experimental operation of a newly designed water purification system is going on in a Papa factory. That will allow us to achieve an energy conservation of almost 30 percent in the future. At the Miklos Zrinyi Military Academy in Budapest, we not only conserve energy through recycling heat but, at the same time, significantly decrease the release of smoke gases and other air polluting materials. These improvements were the result of an awareness of our own self-interest and, in part, of necessity, for we would like to avoid the increasing fines levied for environmental pollution. We found a solution for collecting and shipping hazardous waste—e.g., lead batteries—to appropriate sites, as well as for recycling the materials produced during the operation. Of course, everything could go even better, but that would require a lot of money, which we do not have.

[Zilahy] Can we proudly boast about anything that is really new?

[Szonyi] Yes. Our special, Perisan-type vehicle, which is designed for neutralizing the hazardous waste produced by hospitals, is expected to be employed in the third

quarter. This mobile equipment, valued at about 100 million forints, will be able to deactivate and shred all waste produced by military hospitals, thus transforming it into communal waste. This vehicle is a first in Hungary, and we will make it available, within its capacity, to civilian hospitals also.

New Shape, Challenges for Solidarity Discussed

92EP0538C Warsaw *RZECZPOSPOLITA* in Polish
29 Jun 92 p 2

[Article by M.S. and PAP: "Discussion of Solidarity's Shape: Second Round of Congress Ending"]

[Text] During the second round of the Fourth National Congress of NSZZ Solidarity Delegates discussion was focused chiefly on aspects of statutory resolutions.

The chairman of the Statutory Committee of the Congress, Jacek Rybicki, believes that the adopted version of the statute basically puts in order the structures of Solidarity, and defines more precisely the scope of the duties and powers of discrete officers and elements of Solidarity. The scope of the powers of the Auditing Committee has been broadened. Similarly, the statute's provisions concerning branch structures were markedly amended. Branch secretariats were endowed with legal entity status.

A group of more than 50 delegates did not like these changes. In their opinion, the procedure for amending Solidarity's statute was imposed on the Congress by the Statutory Committee (under the chairmanship of Jacek Rybicki and Leszek Jankowski), thereby negating the fundamental principles of the Solidarity of 1980.

A drastic example of this negation is the amendment enabling the leadership of Solidarity to intervene in the activities of plant Solidarity committees.

Maciej Jankowski (Mazowsze Region) declared that the new amendment adds to the powers of Solidarity's leadership whereas, in his opinion, that leadership and the structures of Solidarity should be subservient to the needs of working people.

The congress placed great emphasis on the need to create an effective system for labor safety and hygiene and took a stand in favor of updating labor laws and ratifying the ILO [International Labor Organization] convention on labor safety, work accident insurance, and occupational diseases. It supported retaining the industrial health service.

There was criticism of the course of privatization and restructuring of state enterprises so far. Solidarity demands that the government work out a comprehensive privatization program, including the identification of enterprises and modes of their ownership.

Jerzy Buzek, the chairman of the presidium of the congress, voiced the view that, in the new democratic conditions, the signing of the social contract is no longer needed. Likewise, Solidarity does not have to point to ways of solving specific social and economic problems.

The proposal to grant a financial subsidy to the ailing weekly *TYGODNIK SOLIDARNOSC* proved highly controversial. It was proposed that all plant Solidarity committees be obligated to buy subscriptions to that

periodical so as to expand its readership. In view of the protests of the delegates, the congress appealed to the plant committees to order subscriptions to at least one copy of *TYGODNIK SOLIDARNOSC*.

During the Lodz round of the Fourth Congress, more than 100 delegates attended.

Following the second round of the Solidarity Congress, the first session of the newly elected National Committee of Solidarity was held in the Lodz sports hall.

The posts of vice chairmen of the National Committee was entrusted to Jan Halas, chairman of Gdansk Region Solidarity, and Janusz Palubicki, chairman of Wielkopolska Region Solidarity. Stanislaw Alot of Rzeszow Region was elected secretary and Leszek Jankowski of Wielkopolska Region treasurer.

The first resolution, about the social minimum, was passed as well. In that resolution the National Committee of NSZZ Solidarity restates its position on the need to broaden the "basket" of goods considered when determining the minimum wage. "In view of the alternative proposed by the government, namely, the use of the old 'basket' as of 1 July or of the expanded basket as of 1 August 1992, we support the latter proposal, and the size of the thus calculated minimum should be reappraised to allow for the extra amount resulting from the recent increases in the prices of baked goods and energy," the resolution said.

The next meeting of the National Committee will be, by tradition, held in Gdansk on 22 July.

Royalist Party Platform, Aspirations Presented

92EP0538D Warsaw *TRYBUNA* in Polish 13-14 Jun 92
p 4

[Interview with Leszek Wierzchowski, leader-regent of Polish Monarchist Movement, by Jerzy Wisniewski; date and place not given: "Before We Elect a King"]

[Text] [Wisniewski] You offered President Walesa cooperation in introducing hereditary monarchy in this country. How did he react?

[Wierzchowski] For the time being we merely received from his office a letter apologizing for his not having the time to take a stand on our proposal, and containing assurances that he would do so in time. But the president has already declared publicly that he has nothing against the monarchy, except that the right time is not here yet.

[Wisniewski] How do you visualize the resulting changes in Poland?

[Wierzchowski] The transition must be smooth, without bloodshed. We propose incorporating a corresponding provision in the new constitution now being framed. In the parliament several deputies are certain to support our idea.

[Wisniewski] Could you please explain further?

[Wierzchowski] We realize that the introduction of the monarchy in Poland will not take place as rapidly as is believed by, for example, the Preservationist-Monarchist Club of Warsaw, which cites a specific year, 2015. We are realists: For the present, economic changes are more important to our country, so that we may be equal partners of the monarchies in the European Community, which, after all, we aspire to join. Bear in mind that seven of the 12 member countries of the EEC are monarchies.

[Wisniewski] Nevertheless, as a legal and registered political party, you intend to contend for power.

[Wierzchowski] Yes. Except that for the present we desire merely to propagate our idea, especially among young people, win sympathizers, enlarge our membership, and establish new contacts. Currently, we have several dozen members in branches in Sosnowiec and Katowice, and are establishing new branches in Krakow, Poznan, and Warsaw.

[Wisniewski] Promoting monarchist ideas at the end of the 20th century is an intellectual exercise, or is it a serious and deliberate political game?

[Wierzchowski] There are 44 kingdoms in the world, including one empire, Japan. A definite majority, such as Belgium, Denmark, Spain, Norway, Sweden, and Great Britain, are wealthier than we are. Thus, we believe that the impossible can be possible. That is why we are serious about our mission.

[Wisniewski] What is the nature of this mission?

[Wierzchowski] See for example our 23-point political, economic, and social platform in which we draw attention to various domains of life. Among other things, we propose including Poles who live abroad in the process of reprivatization, that is, of restitution of nationalized property. We acknowledge the consequences of the land reform of 1945, but still we believe that buildings and some of the land should be returned to former owners or their heirs. Agriculture should be under special care of the state. Foreign agreements, for example, with the World Bank or the IMF, should definitely be reassessed and perhaps also renegotiated. The tax system should be streamlined. Sales of plants and factories under the privatization program should be audited.

[Wisniewski] Are you not afraid of being suspected of populism and leftism?

[Wierzchowski] That is nothing new to us, but neomonarchs at present place special emphasis on truth in politics, on honesty, honor, and patriotism, rather than on some mendacious morality on behalf of the word "democracy."

[Wisniewski] Who would believe in this? After all, it was the bickering among gentry that caused the collapse of the Polish economy and the loss of statehood in 18th-century Poland.

[Wierzchowski] That is why changes in the system of society should be brought about rationally and not instinctively.

[Wisniewski] What kind of monarchy are you advocating?

[Wierzchowski] A constitutional, or the strongest, one. The king would be the father of the nation and the head of state—responsible before "God and Country." The throne would be hereditary. The first king would be elected in a nationwide referendum from among several candidates. The king would appoint the premier and confirm ministers. He would have the right to veto decisions of the government or the National Assembly that would be injurious to the nation. We are using the Swedish monarchy as our model.

[Wisniewski] What happens if there is no heir—or no heiress, you were not clear about this—or if the heir is unable to exercise royal duties owing to, say, mental illness?

[Wierzchowski] A regency council would elect, by a majority of votes, one of the other remaining candidates in the referendum or their offspring—the protoplasm of a new dynasty.

[Wisniewski] What say would the public have in such a monarchy?

[Wierzchowski] All citizens should be equal before law. Titles of nobility would be conferred or confirmed only for outstanding contributions, to our own organization as well. State-owned royal estates could be distributed by the monarch among patriots on a lease basis. In return, in the event of bankruptcy, private property would be offered as surety to the State Treasury. The monarchist state would cooperate with the Catholic Church, especially in propagating the principles of Christian ethics, raising the rising generation, and promoting patriotism and civic-mindedness. In such a state more should be spent on culture, education, public health, and ecology.

[Wisniewski] Whose ideas are all these?

[Wierzchowski] The Polish Monarchist Movement was founded, and its platform and organization were developed, by Mr. Zbyszko Kucharski (Lubicz coat of arms), Mr. Jerzy Jalowiecki (Lodzia coat of arms), and myself. We all are Sosnowiec men.

[Wisniewski] Could you describe your ancestors?

[Wierzchowski] My family comes from the Demesne of Sieradz and its coat of arms is Pobog. For 400 years it had owned several dozen hectares of land in the environs of Maloszyce. It owned Grodek. Although we were provincial nobility, we were kin, on the spear side, to the

Koniecpolskis and Paseks. One of my ancestors, Szczepan Wierzchowski, won renown for his heroism in the January 1863 uprising. Many materials about our family are stored in the archives of Wawel Castle.

[Wisniewski] Is there a lot of "blue blood" in your organization?

[Wierzchowski] Seventy percent of our members are of noble origin.

[Wisniewski] Where are you looking for sympathizers?

[Wierzchowski] Monarchists in Poland are fragmented. The Polish Monarchist Movement cooperates with Artur Gorski's Preservationist-Monarchist Club and the Katowice "Graal" Club of Conservatives and Monarchs. In the main, however, we count on the intelligentsia. Our members already include teachers, architects, students, farmers, and pensioners and annuitants. Until the year 1918, on the average every tenth citizen of Poland used to be of noble origin. Now the estimates range from 1 to 4 million.

[Wisniewski] Have you already established foreign contacts?

[Wierzchowski] We are just beginning to explore contacts with, for example, the Executive Regent of the Russian monarchy Aleksander Bugayev and the descendant of the last king of Yugoslavia, Aleksander Karageorgевич. We have also dispatched a letter to the "Czech Crown" Czech, Moravian, and Silesian Royalist Movement, as well as to the Poles in the Republic of South Africa.

[Wisniewski] What do you mean by "Executive Regent"?

[Wierzchowski] An official executing the recommendations of his chief, such as the regent of Brumei in Moscow.

[Wisniewski] Where do you get the funds for your activities?

[Wierzchowski] From member dues and donations.

[Wisniewski] Now for the big question: Who is to be the king of Poland?

[Wierzchowski] Previously we had been considering three dynasties—the Hapsburgs, the Spanish Bourbons, and the Duke of Edinburgh, out of economic considerations alone. Legally the Polish throne belongs to the Saxon dynasty, but it has never done us any good. Hence, upon consulting the families of major Polish nobility, we concluded that it has to be a Pole. Unfortunately, it has so happened, without our being responsible for this in any way, that there already exist two royal pretenders: Count Potocki in Australia and Wladyslaw Surma, the

leader of the "Polish Kingdom" Party in Poznan, who has returned to this country after 18 years. They both harmed the monarchist movement greatly by their "coronation." Thus, we cannot for the time being publicize the name of our candidate. Let me just say that he is about 40 years old, has a higher educational background, is the descendant of the most famous Polish princely family, and is a sympathizer of our Movement and a member of the Order of the Knights of Malta. Last December I spoke with him and he has agreed to become a pretender to the Polish throne.

[Wisniewski] Thank you for your conversation.

[Box, p 4]

Leszek Wierzchowski, Pobog coat of arms, leader-regent, founder of the Polish Monarchist Movement, 42 years old, editor at the Katowice *DZIENNIK ZACHODNI*. His wife is a teacher. Two sons. Lives in Sosnowiec.

1991-92 Trilateral Trade Figures Presented

92EP0508A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 8 Jun 92 p I

[Article by K.J.: "New Terms of Trade: With Our Neighbors to the South"]

[Text] The year 1991 was a transition year for Poland's trade with Czechoslovakia and Hungary. On the one hand, by then trade was already based on world currencies, and on the other, shipments for transfer rubles were still continued (to make up for arrears in 1990 and complete bilateral clearing of accounts).

The methods of statistical research also have changed. As a result, comparisons of trade volume do not tell much. We can only present the percentile share of basic commodity groups in exports and imports, and the numerical data for the previous year and the first quarter of this year.

Broadly speaking, the decline in trade with Czechoslovakia and Hungary in 1991 was much smaller than with the other postsocialist countries.

Trade With Czechoslovakia

The statistics comprise only intergovernmental trade, exclusive of private trade. Only in the case of the overall volume of trade in convertible currencies has allowance been made for the share of the private sector.

1991 Trade Volume

	Volume	Exports	Imports
In convertible currencies (in US\$ million)	1,148.8	699.8	449
In millions of transfer rubles	362.5	131.1	231.4

1991 Commodity Structure of Trade				
	Exports		Imports	
	1990	1991	1990	1991
Electrical machinery industry	50.5	30.1	75.4	49.5
Producer goods	24	50	16.6	37.3

The dwindling share of the electrical machinery industry in imports and exports is due chiefly to the declining bilateral demand for investments (and especially for construction and installation services).

On the other hand, the share of producer goods has risen. Coal was a major item in our exports of producer goods to Czechoslovakia last year. We exported about 4 million metric tons of coal. New export commodities have also appeared, such as carbon bisulfide and calcined soda. We sold a lot of sulfur, zinc, and rolled copper products.

The above structure of trade does not include food products. Relying on the related statistics will not yield much information, because in the case of some of such products (e.g., beer) the statistics may be much too low, even as low as one-twentieth of the actual volume.

It appears that maintaining this year the 1991 level of trade (about \$1.1-1.2 billion) will require considerable effort.

Trade With Hungary

Compared with trade with Czechoslovakia, our trade with Hungary began to decline much earlier. This was due chiefly to the drastic decline in demand in both countries for traditional imports, mainly machinery. Moreover, the intergovernmental agreement for 1990 provided for a cutback in Hungarian exports in order to balance Poland's trade deficit with Hungary for the preceding period.

Overall trade was about \$432 million. Under the intergovernmental clearing agreement, shipments in transfer rubles also were completed with the object of offsetting Poland's payments deficit, which in 1990 amounted to 23 million rubles, or actually 18.5 million rubles, with the concluded contracts amounting to 8 million rubles. It also is worth noting that a considerable part of shipments was handled by third-country middlemen (from Austria, Hungary, Great Britain, Sweden) owing to the much more favorable credit and payments terms they offered. This has partially distorted the statistics, because they specified the country of purchase, not the country of destination.

In our exports to Hungary copper appeared for the first time. We exported a lot of aluminum oxide (5,000 metric tons) and bauxites.

The principal purchasers of agricultural and food products were private enterprises, which the statistics did not include.

1991 Trade With Hungary		
	Exports	Imports
Trade according to CIHZ statistics, US\$ million	176	90
Trade by private enterprises, US\$ million	43	123

This year Polish-Hungarian trade should remain at last year's level (about \$400-450 million). During the first three months of this year our trade with Hungary totaled about \$70 million.

Commodity Structure of Trade (in percent)				
	Exports		Imports	
	1990	1991	1990	1991
Electrical machinery industry	40.3	18.3	51.8	25.1
Chemicals	11.9	20.5	16.4	36.8
Food products	—	—	5.1	21.8
Metal products	0.8	18.5	—	—
Fuels and energy	17.8	30.7	—	—

Visegrad Free Trade Zone Deliberations Continue

92P20334A Warsaw GAZETA WYBORCZA in Polish
1 Jul 92 p 5

[Article by Krzysztof Kowalczyk: "Poland, Czechoslovakia, Hungary: A Zone of Very Free Trade"]

[Text] Today, Poland, Hungary, and Czechoslovakia did not sign the agreement on reciprocal cancellation of tariffs and other trade restrictions (1 July was the date spoken about in the spring). Negotiations are being extended. It is likely that the agreement on free trade zones between the countries of the Visegrad Triangle agreement will be signed before the end of the year.

"The basic text of the agreement is at the final stage. However, tough negotiations on specifics continue, such as what kinds of materials and when the tariffs will be lifted," said Director Jerzy Rutkowski, from the Ministry of Foreign Economic Relations. "Materials will be found on three lists. List A will be composed of raw materials and products, which will be exempt from tariffs immediately; List B will be composed of processed goods, which will be exempt from tariff payments after four years; and the items on List C will be exempt from tariffs after eight years."

According to Director Rutkowski, it is still too early to talk about specifics. It is known, however, that "Poland is keen on having automobiles on List C, while Czechoslovakia would like to put textiles there," said Jerzy Rutkowski. "The limitations on trade in foodstuffs and farm goods will be done differently. This will take place through mutual concessions. For example, we will let in

Hungarian wine in exchange for some of our goods entering their market," he added.

According to Director Rutkowski, this agreement should go into effect before 1 January of the coming year.

This agreement should bring great benefits, because today [1 July], three countries are opening their markets to Western products, thereby discriminating against their neighbors. For example, Hungarian medicines imported into Poland have a 10-percent tariff, which one has to pay, while EC medicine is exempt from tariffs.

Tax-Free Import, Export Items With EEC Listed
92EP0504B Warsaw GAZETA WYBORCZA in Polish
11 Jun 92 p 15

[Article by kak: "Our Trade With the EEC"]

[Excerpt] Since 1 March, lower customs rates on goods imported from the EEC countries have been introduced. We here present a selection of them. We are also giving a list of Polish goods that have been freed from customs duties in the EEC countries since 1 March.

Imports

Duty-free: grapevine seedlings; lemons; rice; husbandry equipment for horses, donkeys, hogs, and cattle; chalk, sulphur, marble, asbestos, nickel, clay, lead, tin, chromium, silver, and cobalt ores; lignite; natural gas; electrical energy; uranium; vitamins; penicillin; streptomycin; vaccines; partially processed wood; fuelwood; cork; newspapers; books; some types of wool; pearls, diamonds, rubies, sapphires, and emeralds; nuclear reactors (Euratom); steam boilers; turboprop and turbojet engines; baking ovens; freezers; refrigerated counters; gas-powered water heaters; medical sterilizers; driers for agricultural products; distillation equipment; water filtration equipment; dishwashers (except for household dishwashers); bottling equipment; store scales; some types of excavators and loaders; plows; harrows; rototillers; sowers; mowers; combines; potato diggers; equipment for the production of macaroni, chocolate, and sugar; brewing equipment; equipment to process meat, fruits, and vegetables; some book-binding equipment; machinery for setting photocomposition, linotype, and type; offset printing machinery; spinning frames; looms; knitting machines; washing and dyeing machines; sewing machines (except for those for household use); converters; machine tools; lathes; milling machines; planing machines; grinders for processing optical glass; cash registers; computers; some electrical motors; some current generating assemblies; electric welding machines; microwave ovens; teleprinters; radio stations; signal equipment for railways; condensers; resistors; safety fuses; photodiodes; semiconductor wafers not yet cut into microchips; copper coil wire; fittings for rail carriages; emergency vehicles; automobile parts destined for assembly; self-propelled drilling rigs; airplanes more than 15 metric tons in weight; parts for airplanes and helicopters; electrocardiographs; hypodermic needles;

syringes; dental drills; ophthalmological instruments; respirators and gas masks; hearing aids; heart stimulators; artificial eyes; teeth made of artificial materials; x-ray equipment and lamps; pictures; drawings and pastels; illustrations; engravings; postage stamps; antiques more than 100 years old.

5-percent customs duty: artichokes; dates; figs; pineapples; avocados; oranges (from 1 April through 15 October); and cocoa beans.

10-percent customs duty: husbandry equipment for sheep and goats; pineapple plants; seed potatoes; coconuts; unshelled almonds; unshelled hazelnuts, bananas; oranges (from 16 October through 31 March); mandarin oranges; clementines; kiwis; olives.

15-percent customs duty: shelled almonds; chestnuts; shelled hazelnuts.

20-percent customs duty: unreconstituted orange, pineapple, and grapefruit juice; sparkling wine; and champagne.

25-percent customs duty: yogurt; some types of cheese (including Ementaler, Gruyere, sheep cheese, Glarus, Edam, feta, butterkase, Jarlsberg); sheep's milk cheese in containers with salt water.

40-percent customs duty: condensed orange, pineapple, and grapefruit juice.

Precise data may be found in DZIENNIK USTAW No. 17, Item No. 72, 28 February 1992.

Exports

And here is a list of Polish goods that have been duty-free since 1 March.

Raw materials and chemical goods: sulphur; sulphuric acid; phosphoric acid; nitric acid; gunpowder; wood tar; insecticides; polyvinyl chloride; resins; cellulose; floor covering; natural pigments; medicines; synthetic tannin; dyes; paints; cosmetics; perfumes; toilet waters; soap; candles; newsprint; parchment; corrugated cardboard; wallpaper; silk yarn and fabric; and mica.

Construction articles: water tanks; wash bowls; hydraulic equipment; synthetic construction articles; rubber conveyor belts; wood wool; veneer; plywood; boxes and crates; cabinet work; fireproof bricks; casings; prefabricated buildings.

Clothing and consumer goods: rubber clothing; rubber gloves; chamois hides; saddler's goods; unprocessed furs; artificial fur; matches; plastic table and kitchen wares; straw products; baskets; hats; umbrellas; jewelry; mirrors; glass jars; gypsum products.

Machines and equipment for domestic use: boilers for central heating; steam turbines; liquid pumps; washers; centrifuges; scales; refrigerators and freezers; cranes; forklifts; bulldozers; agricultural machinery; machines for the food and textiles industries; sewing machines;

washing machines; welding machines; machine tools; electric motors; electric office equipment; transformers; lighting equipment; telephones; soldering tools; record players; tape players; VCRs; sound recording tape; transmission equipment; condensers; resistors; cables; locomotives; railcars; adhesives; helicopters; ships; and boats.

Optical equipment and precision tools: eyeglasses; binoculars; photography equipment; motion picture cameras and projectors; motion picture film; slide projectors; photocopies; microscopes; surveying and drafting instruments; medical instruments; artificial respiration apparatuses; thermometers; clocks and watches (except for alarm clocks); gas and electricity meters; musical instruments; weapons; medical furniture; sports equipment; fishing equipment; optical glass; and laboratory glass.

The customs preferences in the West may only be taken advantage of when a certificate of origin is presented, proving that the goods were produced in Poland from raw materials from Poland, the EEC, Czechoslovakia, or Hungary.

For small shipments of up to 5,110 ECU [European Currency Unit] (approximately \$6,500), an EUR 2 certificate filled out by the exporter himself is sufficient. For larger transports one must apply for an EUR 1 certificate at the local offices of the Polish Chamber of Foreign Trade, Promotion Center. [passage omitted]

Changes in Polish-Russian Industrial Cooperation
92EP0514 Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 12 Jun 92 p I

[Article by Danuta Walewska: "Polish-Russian Industrial Cooperation: In an Entirely New Style"]

[Text] If Aleksandr Titkin, Russia's industry minister, had talked to our producers a year or even six months ago, he would have been greeted by a complaints from all of them. During his visit to Poland now, he is hearing voices of both concern and warning.

Heads of firms that were "welded" to that market until just recently say that they could base their operations on other customers and other products, and could produce articles available in the West. Still these people asked the minister whether ignoring the Poles was really worthwhile.

This is a rhetorical question, of course, because such solutions are not in the interest of either Russia or Poland.

The Stalowa Wola Steel Mill had enormous contracts with the Russian market. Some of the products it supplied to that market were cardan shafts, gear boxes, and transmissions. Because the Russian customers are now unable to pay for them, it would be easiest for Stalowa Wola to give up on these deliveries and pay serious

attention to seeking new markets, but it would seem more prudent to look for possibilities for cooperation. On the other hand, it would not be trading the shafts for crude oil, because the companies consider barter to be an ultimate evil. They are more interested in cooperation involving products going to third market customers. Zbigniew Bielenia from Stalowa Wola proposed joint investments in some sort of venture, but Aleksandr Titkin quickly asked for figures and concrete facts. He received them right away.

Andrzej Skowronski, chairman of Elektrum, also took advantage of the opportunity to meet with the Russian minister. Elektrum became a supplier of Western technologies to the Eastern market. It turns out that in Russia itself a million telephones connect one another with the help of the Pentacont system, which Elektrum sells.

Elektrum was one of the Polish export giants on the Eastern market. Its 1990 sales figures reached 550 million transfer rubles. Now turnovers with the entire CIS [Commonwealth of Independent States] have fallen to 70 million U.S. dollars, but Skowronski does not think that administrative methods can do much. Producer initiative plays the greatest role in cooperation. He would like to see the authorities resolve just two issues. He would like the Russians to reflect on the wisdom of putting high tariffs on goods produced. Titkin said that they could think about it, but the conditions differ from one contract to another. Skowronski's second desire would be for the Polish and Russian officials to show at least some good will to help reduce the delays at the border. If a fruit truck spends four or five days at the border, the driver's main problem is figuring out where to go to throw it all out.

Polmot would like to produce modern all-terrain vehicles with UAZ. There is a demand for them in Poland. They could probably also sell them on third markets, if the prices were competitive. "Give me specifics," Titkin says, "and I will do everything I can to make such cooperation successful."

Metronex can supply the Russian market with computer components like the ones it sells to Great Britain. After all, Metronex and its supplier Eltra do not need to fight for Russian contracts. The Russians already owe Eltra more than 16 million dollars.

Jerzy Biernat says: "We have proposed various forms of repayment. We have negotiated 200 million dollars' worth of cheap credit in the West, but our partner said they could not afford it. We proposed extending credit ourselves. They would pay half now, the rest later. They turned us down there too." Eltra used to export 92 percent of its production to the East. Today this is a market it can do without."

"St. Petersburg and Rostov are interested in Jelcz's urban busses, but what is in it for us?" asked the Jelcz Motor Vehicle Plant representative. Minister Titkin does not know either.

This was no meeting for people who are helpless. It was for those with foresight, for people who will be able to take advantage of the provisions of the Polish-Russian memorandum signed the evening of 11 June. One of the provisions is the creation of a Chamber of Commerce and Industry backed by the Polish-Russian clearing bank. The memorandum also talks about renewing cooperative production as the best mechanism of cooperation. The memorandum also specifies the possibility of turning mutual indebtedness into privatized companies. There is a recommendation that Polish experience be used in restructuring companies. Today, the Polish debt amounts to 190 million dollars, and Russian debt is 178 million.

Edward Nowak, secretary of state at the Industry Ministry, told RZECZPOSPOLITA that this was the first time that his ministry had had such a fruitful meeting with the Russian side. The discussion on the memorandum and its provisions lasted only two hours. After that, the plan was ready for signature.

Private-Sector Presence in Foreign Trade Grows

92EP0504C Warsaw GAZETA WYBORCZA in Polish
11 Jun 92 p 15

[Article by (aga): "To Feed the East"]

[Text] The year 1991 was a critical year for foreign trade. We switched to using convertible currencies in our accounts with the countries of the former USSR, and private companies gained a larger share of trade, namely, nearly 20 percent of exports and 46 percent of imports.

The turnover balance for 1991 in convertible currencies was negative (about 850 million dollars) and in rubles, positive (about 550 million rubles).

Cheap Imports

The value in 1991: 15.5 billion dollars and 850 million rubles.

Experts at the Central Planning Administration maintain that the import boom in 1991 (growth of 87 percent in comparison with 1990) was possible thanks to the favorable combination of several factors.

Fixing the exchange rate for the zloty in relation to the dollar caused exports to be not very profitable and imports to be cheap. Domestic consumers were unable to resist the colorful packaging of the foreign goods that filled the store shelves.

Poland's most important trading partner is Germany. The countries of the former USSR remain in second place. Behind them are Great Britain, Switzerland, Czechoslovakia, Austria, France, Holland, and Italy.

In 1991 private companies, which dominated imports from the West, mainly brought in food, automobiles, products of the electrical machinery industry, chemicals, and pharmaceuticals.

Among other things, the greater attractiveness of domestic production (for example, dairy products and pork) had an influence on this year's reduction in imports. Consumers are more careful, recipes more rigorously executed, and customs duties higher.

Inasmuch as we mainly imported consumer goods from the West, 70 percent of imports from the East consisted of fuels and energy bought there for dollars.

Official statistics mainly recorded the activities of state companies on the Eastern market. The estimates of the department of foreign economic cooperation indicate that in 1991 state exporters supplied 90 percent of all our exports to the countries of the former USSR and purchased 93 percent of our imports from there.

Unprofitable Contracting Parties

The value of exports in 1991: 14.6 billion dollars and 1,397 million rubles.

Private companies are, above all, sending agricultural products abroad: vegetables and livestock. (Last year we sold 120,000 horses.) We are also exporting fruit products, dairy products, fish products, furniture, products of the electrical machinery industry, and textiles.

Last year, exports, chiefly to the EEC countries, grew by 22 percent in comparison with 1990, but trade with the East broke down—turnover fell by 60 percent.

Machines and equipment formerly constituted the foundation of our exports to the East. Currently, buyers there are more and more interested in food imports, but they have nothing with which to pay for the products. Moreover, the products they offer as barter are not too attractive for us.

In spite of this, enterprises are not giving up on trade with the countries of the former USSR. They are counting on the thirsty market to adjust.

We have already signed agreements on mutual economic cooperation with Russia, Ukraine, Belarus, Estonia, Lithuania, Latvia, Moldova, Armenia, and Georgia. Realization of the agreements will depend on the activities of our companies.

According to polls conducted this year by the Central Planning Administration, more and more enterprises are reporting an increase in exports. Undoubtedly the change in the exchange rate of the dollar is significant here. Exports have simply become more profitable.

Bank, Business Financial Restructuring Steps
92EP0530A Warsaw *GAZETA BANKOWA* in Polish
No 25, 21-27 Jun 92 p 3

[Article by Witold Gadowski: "Privatization by Debt Reduction"]

[Text] The Ministry of Finance has prepared a draft law on the financial restructuring of enterprises and banks, the goal of which is to solve the problem of bad debts in banks, payment hold-ups, insolvency of enterprises, and, at the same time, speed up privatization.

This is an extremely ambitious task. It demands a great deal of administrative work and carries with it a risk of disturbing the large-scale economic balance. The Ministry of Finance is proposing a law that regards the problem of bad debts in banks to be extremely dangerous, one that may bring on a collapse of the banking system and result in a financial disaster. Let us see what this operation will look like.

Step one. To start with, state banks and banks which are one-person State Treasury companies (the law covers this area), will be furnished additional capital by allocating them bonds for a total sum of 25,000 billion zlotys [Z] in order to increase their prime and reserve funds, protecting the banks against lack of liquidity during the bad-debt restructuring. The reserves will be created as of the 31 December 1991 status in the following order:

- a) 20 percent for monies due that are classified as below standard;
- b) 50 percent for monies due that are classified as doubtful;
- c) 90 percent for monies due that are classified as losses.

The Agency for Industrial Development will also receive bonds amounting to Z3,000 billion. The principles on which funds will be allocated will be defined by the minister of finance, who may order that measures necessary for the improvement of the bank's functioning be taken. The minister also sets the deadlines by which the banks must take the appropriate actions against the debtors who have stopped making payments to the bank. These may be:

- Instituting a bank amicable-agreement procedure;
- Disposing of the debtor's entire claim by commercializing it;
- Moving for liquidation of the debtor;
- Instituting a bankruptcy procedure.

This will break the state of inertia in which the enterprises are not making their payments to the bank, while the banks are capitalizing the unpaid interest, thus fictionally increasing the amount of the credits.

Step two. The initiative to institute amicable procedure is left to the debtor. The ceiling, constituting the limit of the profitability of the amicable-agreement procedure, is Z1 billion. Another condition (alternative) is that the

bank have at least 20 percent of the debtor's obligations. The amicable agreement will create effective privatization procedures. At the same time, it will cause a partial reduction of the debt of the economic units. The bank agreement covers:

- 1) A description of the actions the debtor is taking to remedy the enterprise;
- 2) A description of the actions the creditor is taking, such as assisting the remedial program by restructuring the debt and facilitating the obtainment of new sources of financing;
- 3) Provisions aimed at ensuring that the agreement will be executed and execution is verified, including the formation of a council of creditors or a board of commissioners.

The State Treasury becomes a signatory to the agreement, provided that its claims total at least 50 percent of the claims covered in the agreement, and the remaining creditors must have more than 30 percent. Naturally, the creditor's participation in the agreement is voluntary. In some cases the bank may decide that the agreement deserves to be protected, despite the fact that the debtor is not paying his obligations. The obligations are paid by the bank, which takes over the claims of the satisfied creditor.

Articles 29 and 30 of the ordinance of the president of the republic, dated 24 October 1934, apply to the amicable-agreement bank procedure.

Step three. The bank may commercialize its claim against the enterprises, i.e., sell it at the market price. The necessity of a legal regulation ensues from the proposed special procedure to transfer the claim to a third person. In the light of the Civil Code, the transfer of a claim to a third person may arouse interpretational doubts as to the propriety of the obligations of the debtor to the bank. The provision proposed in the law explicitly entitles the bank to buy or sell the bank's claims. The intent to commercialize the debt is communicated by the bank to the debtor, the parent organ, and the organizations which granted insurance for the credit payment, no later than seven days before their commercialization. This gives the debtor an opportunity to settle his obligations. If the debtor does not take advantage of this opportunity, he will have no influence on who becomes his new creditor.

Causes of commercialization of debts:

- Elimination from the bank's assets of claims from economic organizations that permanently lost their ability to function and service the debt; the bank does not recover the total sum of the credits granted, but the additional capital from the State Treasury allows it to survive the crisis;
- Unblocking of the payments hold-ups between the economic units by acquiring commercialized bank claims and compensating the debtor;

- Hastening the commercialization and privatization of enterprises by converting the claims into shares of capital.

Step four. Creditors who have at least 30 percent of the obligations of a state enterprise or a State Treasury single-person company, including demandable claims, can institute procedures to exchange claims for shares of capital. This will apply only to obligations which arose before the law went into effect. The applicable minister, representing the State Treasury, prepares a list of the creditors who expressed a willingness to exchange claims for stock. The minister of privatization is also informed of these intentions. If the net book value of the debtor organization is not on the plus side, the creditor, in exchange for the claim, takes a share of the plant capital equal to the quotient amount of the claims to the book assets of the company. If the net value is minus, the claim is subject to exchange for shares of capital in proportion equal to the quotient amount of the claims to the total value of the company's obligations on the date that the balance sheet is prepared. We must also take into account the interests of the employees, who, in accordance with the law on privatization, have the right to purchase stock in their own enterprises on a preferential basis.

The privatization and debt-reduction operation requires energetic action on the part of the banks, who became the principle animators in the restructuring of the economy. It also requires organizational units that know how to manage debts, and have good ideas as to what can be done with the huge numbers of bankrupting state enterprises. These are the main obstacles in the process of debt restructuring. Above all, the circle of inertia must be broken, that is, banks that finance stagnant enterprises by capitalizing the interest and do not make an attempt to recover claims.

Statistics on Quarterly Growth of Companies

92EP0525B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 16 Jun 92 p III

[Article by Antoni Kowalik: "More Companies and Private Businesses"]

[Text] At the end of the first quarter of 1991, over 607,000 economic entities were registered. This does not correspond with the number of plants and enterprises actually operating in Poland, because the Regon system in which they are registered does not cover all businesses conducted by individuals, who are not required to register.

Central Office of Statistics (GUS) figures show further growth for the first quarter of this year. The number of private companies is up by 3,579, and the number of foreign capital companies by 1,391. There was also an increase, although a smaller one, in the number of such entities as State Treasury companies, up by 68; state enterprises, by 45; establishments operated by foundations, 27. In other groups of entities, the numbers are

down. This applies primarily to municipal enterprises—down from 741 at the end of last year to 671 in the first quarter; small-scale manufacture foreign enterprises, down from 787 to 758; and also cooperatives and commercial companies in which state legal entities have a part. The distribution of voivodships in relation to the number of state enterprises, cooperatives and commercial companies within their borders is as follows. There are 19 voivodships in which there are fewer than 100 state enterprises: Biala Podlaska, Chelm, Ciechanow, Leszno, Lomza, Przemysl, Siedlce, Skieriewice, Tarnow, Wloclawek, and Zamosc. These voivodships also have the lowest number of cooperatives—fewer than 300—with the exception of Siedlce and Zamosc) and commercial companies—fewer than 450 (with the exception of Plock and Wloclawek).

Eighteen voivodships have up to 200 enterprises, 400 cooperatives, and 1,100 companies: Czestochowa, Jelenia Gora, Koszalin, Legnica, Radom, Rzeszow, Walbrzych, Torun, Slupsk, and Piotrkow Trybunalski.

Nine voivodships have up to 310 enterprises, 550 cooperatives, and 3,450 companies: Bydgoszcz, Kielce, Krakow, Lublin, Lodz, Opole, Poznan, Szczecin, and Wroclaw. The voivodships in which the number of economic entities exceeds the numbers given are Warsaw, Gdansk, and Katowice.

In the first quarter of this year, compared with the end of last year, the number of state enterprises increased most of all in agriculture—by about 10 percent, and transport, by about 25 percent. However, there was a drop in industry of 3.5 percent; of about 5 percent in construction; of more than 7 percent in forestry; and of about 3.5 percent in trade.

On the other hand, the number of private companies in the entire national economy rose in the first quarter of this year by 7.5 percent compared with the end of last year. The largest increases were in the following: in the municipal economy over 45 percent, in forestry over 33 percent, in communication over 12.7 percent, in transportation and agriculture over 11 percent, in trade over 8 percent, and in industry and construction approximately 7 percent.

There was a rapid growth in the number of foreign-capital companies in the first quarter. Most of the increase (approximately 50 percent) was in trade and the municipal economy; next in communication, almost 43 percent; in construction, not quite 39 percent; over 18 percent in industry; and 14 percent in agriculture and transportation.

The number of businesses conducted by individuals in the first quarter of this year was over 1,430,000 and was 0.7 percent higher than at the end of last year. There was an increase only in restaurant and catering businesses, and in nonmaterial services. However, in industry, construction, transportation and trade, their number dropped, although not by much. In the first quarter of

this year businesses conducted by individuals employed over 2,651,000 people, i.e., 2.3 percent more than at the end of last year.

Precedent-Setting Purchase of Electronics Plant

92EP0518A Warsaw RYNKI ZAGRANICZNE in Polish
No 67, 4 Jun 92 p 8

[Article by (Baj): "A Precedent-Setting Transaction: 160,000 Shares for 160,000 Zlotys"]

[Text] Dozens of firms in Poland are plagued with financial problems such as indebtedness, a lack of investment funds for restructuring, and the like. The privatization of such enterprises is in no way simple, for who will invest in a firm weighed down by its "baggage." Then, what can be done in such a situation?

The answer is not simple, but sometimes life suggests entirely unexpected solutions. Often the word "precedent" is used to define such situations. Not so long ago, we encountered such a precedent-setting situation when the owner of the ZAPAL Production Services Plant in Wroclaw purchased 80 percent of the stock of the Tel-Eko Electronics Plant Corporation in Wroclaw. A total of 160,000 shares was purchased for 160,000 zlotys, i.e., for the so-called symbolic zlot per share (the nominal value of a share as inscribed in the statute is 50,000 zlotys). However, the transaction was not as simple or as casual as it would seem, though it was certainly unusual.

The Tel-Eko Electronics Plant, which produces environmental-protection verification apparatus and telecommunications equipment, was very involved with export to the Eastern market. In 1990, the share of export still constituted 76 percent of production, of which 95 percent was exported to the USSR. Unfortunately, this was a period of the breakdown of the Eastern market. Just a year later, export declined to 35 percent. The worsening situation impacted on the actions of the management. In October 1990 it decided to privatize, especially since the authorities promised aid to enterprises which entered a fast privatization track. Tel-Eko was much in need of such aid.

In January 1991, the plant was restructured into a single-person company of the State Treasury, and it began the privatization process. The officers of the company board attempted to keep the firm going, but it was not easy, since trade with the former USSR had broken down completely and the bank debt (expansion credit) had grown. Employment was cut back through group layoffs and partners for privatization were being sought.

Franciszek Jung, chairman of the company board, said: "We talked to about 100 foreign partners, but these discussions were fruitless because of the uncertain nature of our firm and the unfavorable situation in Poland."

According to the privatization law, firms that, for objective reasons (including the breakdown of trade with the

East), will get into trouble, may count on help from the State Treasury. Such was the case with the Tel-Eko Company. An analysis of the company was done within the framework of such assistance. Through bidding, the London-based firm of Central Europe Trust Co. Ltd., was selected. That firm was the advisory firm for the Ministry of Privatization in the process of privatizing the company. An ad was also placed in FINANCIAL TIMES at a cost of 1,000 British pounds. More than 50 firms from the branch were listed. Fewer than 15 firms entered into talks, but the Tel-Eko debt, which significantly exceeded the value of the company, and the unfavorable situation in Poland, scared off potential partners. Hence, only one potential partner stayed "on the field." That was Andrzej Lewandowicz, owner of the Wroclaw ZAPAL Production Services Plant.

A. Lewandowicz, who deals in the production of analog converters for electrical power plants and in the development and production of digital regulators for the heating industry, has been running his plant for 12 years. His turnovers are reaching several billion annually. He began working with Tel-Eko last year by providing them with the documentation for manufacturing regulators. The company was to repay this gradually (8 percent on every selling transaction of these controls). Lewandowicz made the assumption of the company contingent upon a settlement with the company's creditors. This having been done, the company board went to court to request a compromise hearing with its creditors and in March 1992, a compromise was reached. This made it possible for a transaction to be effected between Tel-Eko and ZAPAL.

Company owner A. Lewandowicz agreed to assume the company with its

- To repay the debt over three years,
- To increase company capital by 5 billion zlotys by means of capital investments,
- To keep employment at a minimum level of 200 persons for a year after the stock is purchased,
- To keep production within the field of testing-measurement apparatus for environmental protection and telecommunications equipment,
- To expand the production assortment with digital automated equipment, control systems and other professional electronic equipment.

This precedent-setting privatization transaction was definitely the only route for a company that a specific individual trusted with his capital. Company employees will be able to purchase the remaining 20 percent of stock. However, the price of this stock has not yet been determined. The new owner finds himself saddled with a formidable list of responsibilities. He has his own experiments, finished equipment designs worth billions of zlotys and, together with Tel-Eko, he is acquiring an experienced workforce. In his opinion, the way to success is hard work and discipline.

The Ministry of Privatization has endorsed this venture and finds the transaction to be completely normal. It is important that the transaction has reduced the number of debtors. It is also important that a domestic investor has been found. Will others go this route?

Reversals in 1991 State Land Fund Report

92EP0525A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 16 Jun 92 p I

[Article by Edmund Szot: "Reversal of Favorable Tendency"]

[Text] Starting in 1989 another increase in transfers of land from the State Land Fund (PFZ) to private farmers has been recorded. A similar phenomenon occurred before, early in the 1980's.

At the beginning of last year, PFZ land totaled 771,000 hectares [ha]. During the year the number of land transfers to PFZ grew. There was an increase of 112,000 ha (50 percent more than in 1990), but only 17,000 ha came from private farms, including 13,400 ha from 2,300 farms transferred to the state in return for annuities or pensions. Private farms last year took 55,300 ha for permanent use, thus the favorable balance in the transfer of land to these farms amounted to 38,200 ha (in 1990 it was 37,800 ha). Of the land purchased by farmers, 57 percent was used to enlarge already existing farms and the remainder went to establish new farms. There were 3,800 of these new farms, consisting of 4.8 ha each, on average.

The public sector transferred 94,900 ha to the state reserves, but it took over only 12,000 ha for permanent use, leaving a negative balance of 82,900 ha in PFZ land turnovers.

But last year PFZ land reserves grew by 26,800 ha, which indicates a reversal of the favorable tendencies in the direction of land transfers. As a result, at the end of the year PFZ had 797,800 ha of land. Of this, a total of 355,800 ha was leased to private farmers and other units; however, 80,600 was transferred to annuitants and pensioners for life usufruct. Farmers who had no written leases used 58,800 ha. PFZ exercised direct administration over 297,300 ha, and these were the most inferior lands, of which 97,500 were forests, wooded areas, and lands earmarked for forestation.

In preparing the above figures, the Central Office of Statistics included the agricultural producer cooperatives (RSP) in the public sector. In many other statistical comparisons they are included in the private sector. The latter classification of RSP's appears to be more correct, both from the legal standpoint, as well as—and primarily—from the psychological standpoint. Cooperative production is a private matter that concerns only the farmers, and even statisticians do not need to know whether farmers are working in their own fields in groups or singly.

State Farm Issue To Be Decided by End of Year

92EP0512C Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 13-14 Jun 92 p II

[Article by Edmund Szot: "Territories Regained a Second Time?"]

[Text] By the end of August, the Farm Ownership Agency (AWR) of the State Treasury will take over more than 200 state farms (PGR), i.e., approximately 370,000 hectares of arable land, or one-tenth of the total land used by the state sector. The remainder, in compliance with the Sejm's last resolution, will be taken over by the end of the year, because if this process were to be postponed, it might mean the devastation of national assets.

The present situation in PGR was discussed on 12 June at a meeting of the leadership of AWR with the leadership of the Ministry of Agriculture and Food Economy. Also present were representatives of the agricultural trade unions. However, despite the fact that they were invited, there were no representatives of the private farmer trade unions.

The situation in PGR, to put it briefly, is very bad. Out of more than 3,000 enterprises, about 2,800 are using credits and in 250 of them payments on the debt are already overdue. In banks alone (mainly in the Food Industry Bank) PGR's debt is already 6,500 billion zlotys [Z]. However, if we add the other liabilities (amounts owed the power industry and other enterprises), this debt rises to about Z16,000 billion. But that is what it was at the end of last December, now it may be even larger. Only the banks that are proceeding in accordance with agreements signed with PGR farms are drawing the correct conclusions from this tragedy. The other creditors are trying to take what is due them, disregarding the fact that it would be better to wait a little while. Furthermore, the inordinate activity of the bailiffs is interfering in the work of the enterprises, which are just now getting ready for the harvest. The agency is going with this to the Ministry of Finance and Ministry of Justice, requesting that they exert some influence on the remaining PGR creditors and restrain their zeal to liquidate.

On 6 June the Sejm passed a law that slightly modifies the 19 October 1991 law on the management of State Treasury agricultural land. This modification states that "in cases justified by economic considerations, the buyer of the agricultural land may be established on the basis of an auction offer, with the proviso that a farmer buying the land for the purpose of enlarging a farm, or employees and employee companies of a state farm enterprise being liquidated, who create farms, will have preference."

Minister Gabriel Janowski stated that the general direction of PGR transformations should be aimed at creating family farms, but at the moment there is yet no overall vision of reform of the Republic. The fact that such a vision is lacking is shown in the decision that in transferring PGR property, preference is given to leasing

(including land-leasing by foreigners), because regulations regarding leasing are more precise than regulations regarding the sale of land.

But privatization of PGR is not only an economic problem, it is a social problem. Already now, as the representative of the National Commission of NSZZ Solidarity, Benedykt Nowak, reported, the number of jobless persons in PGR is 30-35 percent, and it is anticipated that after ownership transformations are completed, this figure will rise to 70-80 percent. This means that unemployment in the Polish countryside will increase by almost 400,000. Finding jobs for them will mean no end of trouble.

In anticipation of this kind of future, some employees are holding on to their jobs in the enterprises at any price and agreeing to work at wages that are less than unemployment benefits. But this is only a short-term solution. The workforces and managements of enterprises who are seeking a wealthy foreign investor, one who will create jobs in the countryside by establishing processing plants, for example, are proceeding more wisely. One such case can be seen in Elblag Voivodship, where Canadian capital is investing in the processing of rape.

The agency president, Adam Tanski, believes that he will be able to obtain \$150 million of credit this year for the creation of new jobs. But it is difficult to expect that these new jobs can be created immediately. This will be rather a long-range venture, just like the idea of again resettling people from overpopulated southern Poland to the territories that were once regained, and encouraging them to buy and lease PGR land. This is a dangerous idea, considering that, after all, there are already too many redundant people there, and soon there will be many more. Wouldn't it be better to suggest that they go to Argentina or Brazil?

Fund for Agricultural Restructuring Described

92EP0514B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 16 Jun 92 p II

[Article by E.Sz.: "Agricultural Restructuring and Extension Fund: Where From and for Whom?"]

[Text] According to the Government Press Bureau, Prime Minister Waldemar Pawlak signed on 11 June the Council of Ministers' ordinance on the operating principles and funding sources for the Fund for Agricultural Restructuring and Debt Reduction, which the government had adopted on 12 May.

The fund's task is to support farm modernization, to bolster development of the rural technical and production infrastructure, to aid development and restructuring of processing and services to agriculture, and to help with the repayment of farm debt. The fund's resources will consist of income from interest on bank reserves which the banks have sent to the Polish National Bank; from money to modernize and restructure the food economy; from cash from repayment of loans granted by the fund; from repayment of budget assistance given to agriculture in past years; from

interest on the fund's capital deposits; from money acquired as foreign aid; and from gifts from physical and legal persons.

Agreements between the agriculture minister and the banks will determine the way the fund's resources will be used. The minister will control the fund and create a fund council, which will consist of representatives from the agriculture and finance ministries, the chairman of the Polish National Bank, and representatives of the farm trade unions.

Poorer Sowing Conditions Compared to Last Year

92EP0512B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 11 Jun 92 p II

[Article by Edmund Szot: "The Effects of Less Fertilization"]

[Text] As reported by the Central Office of Statistics, despite the generally favorable climatic conditions during the winter and spring, sowing conditions for the winter crops are not only poorer than last year, but also poorer than the average during 1986-90. According to a five-point scale, during the first 10 days in May, winter wheat was rated at 3.5; rye, barley, and triticale at 3.4; and rape and oil-yielding rape at 3.2.

A year ago these ratings were from 0.1 to 0.2 points higher. Of the winter crops, as we see, wheat looks the best. It was given the highest rating in Lublin Voivodship (4 points) and Katowice and Kielce Voivodships (3.9), and the lowest in Szczecin (3.0) and Bialystok and Pilsk Voivodships (3.1). Sowing conditions for rye are best in Katowice and Kielce Voivodships (4) and Lublin (3.9), and the worst in Szczecin (2.9) and Konin and Pilsk (3). The condition of barley sowing was rated the highest in Katowice Voivodship (4), Biala Podlaska, Kielce and Lublin (3.8 each), and the lowest in Pilsk and Szczecin (3.0 each). Sowing conditions for triticale were rated highest in Kielce Voivodship (3.9) and lowest in Szczecin (2.9).

The sowing acreage for winter cereals was 400,000 hectares [ha] smaller than last year.

Conditions for rape and oil-yielding rape are best in Kalisz and Nowy Sacz Voivodships (3.8) and worst in Szczecin Voivodship (2.5). The total acreage for rape and oil-yielding rape has been estimated at 400,000 ha.

Spring grain was sown this year on 3.6 million ha and its condition assessed at 3.2 points, i.e., 0.2 below that of last year.

Sugar beets were sown on approximately 350,000 ha, i.e., 3 percent less than last year. However, potatoes were planted on approximately 1.8 million ha, i.e., close to that of last year.

The condition of the permanent grasslands is worse than a year ago and previous years. Meadows and pastures obtained a 3.2 rating, and clover 3.4 points.

The condition of winter and spring crops, and of rape and permanent grasslands, is worse this year because of a further drop in fertilization, a reduction in agriscientific treatment, and reduced use of pesticides.

Vatra Sends Open Letter to Bush on Moldova

AU2307081392 Bucharest *CURIERUL NATIONAL*
in Romanian 10 Jul 92 p 4

[Article by Uniunea Vatra Romaneasca: "Open Letter of the Vatra Romaneasca Union"]

[Text] Esteemed Mr. President George Bush:

God has elected you to be that U.S. President who will put an end to the offensive launched in Russia on 7 November 1917 against the democratic spirit and civilization. The Bolshevik version of communism has proved to be a tragic experiment that devastated the bodies and souls of tens of millions of people. That experiment had even more tragic consequences for the life and ethnic identity of the nations that found themselves under the direct influence and power of the Kremlin, within the state frontiers of the Soviet Union. Unfortunately, the West knows too little about that ethnocide. The world tends to forget that czarist Russia had already been a colonialist empire before the communists seized power. The world seems to be unable to comprehend that today, by setting up the CIS [Commonwealth of Independent States] that colonialist empire has survived and is skillfully maneuvering in order to prolong its existence until the end of time! Dissolving the Communist Party of USSR has had but a small impact on Russia's character as a colonialist empire. Essentially, CIS continues to be "the evil empire," the last colonialist empire in history.

We believe that it is the commitment of the West to properly understand the real significance of the political process currently in progress in the former Soviet Union, which does not affect at all the imperialist and colonialist essence it inherited from the communist regime.

The West and world public opinion must therefore exert pressure in order to make Moscow immediately proceed to decolonize countries and vast territories that once belonged to the USSR—currently belonging to CIS—which means that first of all it should begin to clear those territories of Russians, by withdrawing, as far as possible today, the population it implanted on the territories of other people, especially after 1917.

In Africa, in Asia, and everywhere else in the world, the process of decolonization was carried out by means of an almost complete withdrawal of the colonizing population. The events currently happening in the Republic of Moldova highlight the destabilizing effects—which could crop up any time or can partly be seen already—of having such colonialists live on the territory of CIS states, thus offering justification for military operations against natives who have only such natural goals—which have never been accepted by Moscow—as living their own national life. One cannot talk about the introduction of democracy within the boundaries of the former Soviet Union so long as colonialist methods and practices have not been completely eradicated. The process of dissolving the Soviet colonialist empire can only be

successful if the world acknowledges the natives' right to decide by themselves, and not with the head of others, upon their political future and national territory. Human rights make no sense whatsoever, so long whole people's and nations' rights are being ignored and abused.

Currently, nowhere in the world are national rights more violated than within the CIS, the example of Moldova being as illustrative as it is painful to all Romanians. In their name, as well as in the name of respect for the idea of justice, the Vatra Romaneasca Union is asking you personally, the U.S. Government, and all democratic political forces in the West and in the entire world, to make use of all available levers that could convince and coerce Moscow to begin, as soon as possible, to withdraw the colonists and the descendants of colonists who were transplanted by communist authorities on the territories of other people, thus depriving them of their historic right to be the masters of their own national territory. That right of the natives ought to be reinstated as soon as possible. Only then can the West say that it has completed its historic mission of promoting democracy, human freedom and dignity, and of serving truth and justice.

UDMR Official Denies Secret Pact With Vatra

92BA1136A Bucharest *ROMANIAI MAGYAR SZO*
in Hungarian 20-21 Jun 92 p 1

[Interviews with Gyula Deak, chairman of the Mures County branch of the Democratic Union of Hungarians in Romania, and Gheorghe Calian, the newly elected deputy mayor of Tigru Mures, by Arpad Nits; place and date not given: "A 'Secret' Pact"]

[Text] *Something preceded the first session of the new Marosvasarhely [Tigru Mures] Municipal Council and the inauguration of Gyozo Nagy as mayor. All sorts of rumors swept through the city, which the local newspapers picked up and published under banner headlines: "Secret Pact Between the RMDSZ [Democratic Union of Hungarians in Romania—in Romanian, UDMR] and Vatra." Before the start of the new municipal council's first session, we requested a brief interview from Gyula Deak, chairman of the Mures County branch of the RMDSZ. After the session we interviewed Gheorghe Calian, the newly elected deputy mayor.*

[Deak] The RMDSZ did not hold any talks with the Romanian National Unity Party [RNEP—in Romanian, PUNR]. That is merely a journalistic canard. The truth of the matter is that the county prefect had invited the members of the municipal council for a "let us get acquainted" conference last Thursday, from which the press was barred. Then rumors began to spread about bargaining among the political parties. But the parties did not even attend the conference; only the municipal councilmen did. They decided, or will decide in the voting to be held now, whether a councilman elected on the RNEP ticket will be the deputy mayor. If the municipal council assembles and its first meeting proceeds in

accordance with the bylaws, it is more than likely that Marosvasarhely will have a deputy mayor who is a member of the RNEP. But you must bear in mind that this party obtained 40 percent of the vote; 40,000 voters cast their ballots for it. This city can be administered only jointly. The Democratic Convention is practically nonexistent here; it received merely 2,000 votes. The Front's support is likewise insignificant. Consequently, the only solution is to find the person who is best qualified, professionally rather than along party lines, and who will then work together with the mayor and the councilmen. This city must finally get an effective administration, for it is a shame how it looks. Garbage is piling up, and the state of the road network is catastrophic. My personal opinion is that Calian would be the most suitable candidate for deputy mayor. He is truly a technocrat, an engineer. Politically he is not a hard-liner. Calian is a member of the RNEP but does not belong to Columna, Vatra's hardline wing.

[Nits] Gheorghe Calian, of the 23 councilmen present and voting, 20 voted for you; Victor Suciu received one vote, and two ballots were declared invalid. What is your assessment of the course of the municipal council's first session?

[Calian] It took place in a very orderly manner and there were no disruptive overtones. Setting up the municipal council was very important and the electorate expected that of us.

[Nits] Had you any misgivings about the outcome of the vote, in view of the fact that voting was by ballot?

[Calian] Anything could have happened, just like in any other election. But the councilmen belonging to the RMDSZ voted very properly.

[Nits] During earlier attempts to set up the municipal council, the RNEP had very serious objections to the councilmen belonging to the RMDSZ. Has anything changed since then?

[Calian] In office I am determined to devote myself entirely to administration. I refuse to answer questions of a political nature.

[Nits] According to our information, you were popular at your previous places of employment. The population rarely praises the director of a municipal public transportation enterprise.

[Calian] I have worked also for a local industrial enterprise and in municipal administration. I got along well with others everywhere. With Romanians as well as Hungarians. That is experience I would like to put to use also in the future.

[Nits] What is your opinion of the measures adopted by the mayor of Kolozsvar [Cluj]?

[Calian] I am not very familiar with them.

[Nits] Are you not interested or just did not have time to find out?

[Calian] I am fed up with these problems. So many newspapers with so many articles. A person does not know what to accept as the truth.

Well, this is the background of the "secret" pact. The "give and take" is that the RNEP councilmen have stopped to obstruct the formation of the municipal council, and the council elected an RNEP candidate as deputy mayor. Some people were speculating that the RMDSZ councilmen would take advantage of their majority and block the election of any RNEP candidate. Perhaps rumors have now started spreading, which the newspapers are publishing under banner headlines. We do not regard that as topic for debate. The RMDSZ councilmen acted honorably, but then it is not customary to sneak away from the market without paying for the merchandise.

However, the headlines about secrecy are justified. The press should not be excluded from bargaining that is in the public interest. Let us distinguish clearly between a political compromise reached in the public interest and concessions made out of personal cowardice, opportunism, or even for personal gain.

Serbs in Croatian Areas Wish To Join Slovenia

*92BA1210D Zagreb VECERNJI LIST
in Serbo-Croatian 6 Jul 92 p 9*

[Article by R. Ivanovic and K. Rozman: "They Want To Go to Slovenia!"]

[Text] Inhabitants of western Zumberk, 320 of them from the local communities of Radalovici and Dragosevci, mainly Serbs who are Greek Catholics, want to separate and join Slovenia. They have made their intentions known to the Assembly of the Republic of Croatia and the Assembly of the Republic of Slovenia in a petition that they sent in March. In their recitation of the historical, natural-geographic, and economic ties with Slovenia, the people from Zumberk would rather "re-design" the republic borders than look for simpler solutions—for example, special status and specific laws, well-known throughout the world and intended for those who live in border zones.

Nikola Drakulic, president of the Dragosevci local community and one of the initiators of the petition, explained to us how the local people of Radalovici and Dragosevci would solve things in their own way. "Surely there is some similar place in Slovenia that gravitates more toward Croatia than toward its parent country. Our thinking is that if there is such place, the two states could agree and exchange territories," Drakulic said hopefully. "We would separate with good intentions because of the position of our villages, which are 80-percent encircled by the Slovene border."

But aside from the fact that they live in a Slovene encirclement, other reasons for separation: that most of the people work in Slovene enterprises, that their children go to Slovene schools, that they receive medical treatment in Metlika or Novo Mesto, that they can reach Croatia only by crossing the Slovene border several times... were not cited.

Only three people from Radalovici work in Croatia, the rest earn tolars, which they exchange for German marks, which they use in Croatia to buy dinars. They were afraid that with the establishment of state borders they would lose jobs or be treated as foreign workers. Although after a year no one has been laid off, the local people give arguments after that pattern—what would happen if...?

"We buy everything in Slovenia. And if we had Croatian salaries, we would not be able to do anything," were the arguments we heard from local people in the tavern Two Deer. "Aside from that, our houses are in Croatia, but our stables in Slovenia. The border guards search us!"

It was difficult to believe those stories, because on the road to Radalovici there are "physically" no border crossings, and no one stopped us on the road. What is more, we did not see a single customs officer.

But as for the children going to Slovene schools, we learned in conversation that there are actually very few children, even too few to have instruction at the school

in Radalovici. What is more, transportation has been organized for elementary schoolchildren to schools in Ozlje and Karlovac.

Those who would redesign the borders have been told of the plans of the Croatian Government, which in the near future intends to link that part of the territory to the parent country with a highway. But that is not enough for most of them, and in answer to the question: Would you rather separate or have special border laws adopted? They briefly answered: We want to go to Slovenia!

But Greek Catholics of Croatian nationality do not want to be Slovene citizens.

"I am surprised at the grounds of my fellow citizens. It is well-known that people who live along the border must have a special status," says Branko Smiljanic. "We just have to be patient for awhile until they work out local border crossings. I do not want to go to Slovenia!"

Methods of Croatian Electoral Race Criticized

*92BA1203E Split SLOBODNA DALMACIJA
in Serbo-Croatian 6 Jul 92 p 2*

[Article by Zivko Gruden: "The Methods of the Campaign Struggle"]

[Text] Let us hope that the overnight destruction of the booths on Jelacic and Tomislav Squares in Zagreb, where they were gathering signatures for the presidential candidacy of Dr. Savka Dabcevic-Kucar, should not be seen as a symbolic precursor of the ramified methods of the campaign struggle that we will be witnessing over the next three or four weeks. Foreseeing the direction in which the campaign poster war could develop, the opposition parties have concluded a gentleman's agreement that they will not tear down each other's posters, and they have threatened the incumbent party with vigorous joint counteraction if it should touch or tear down their campaign posters.

Does anyone believe that tearing down the booths for gathering signatures will diminish the election chances of the candidate in question? It makes more sense to believe that tearing down the booths and posters and similar "methods of the campaign struggle" mean points for those parties and candidates which are the target and victim of such actions—they can rightfully say that our opponents are afraid of us and stop at nothing, using even those weapons which can only shame them in the face of the public. Nevertheless, more important and fateful battles will be waged, no doubt, over the use of the media. Even in that part of the world where equal access of the parties to the media which are a state monopoly, and that is usually the television medium, is strictly and precisely regulated, the incumbent parties know how to evade and defeat such rules by arranging certain attractive and spectacular affairs of state, business for the statesman, ceremonies and events at the time of the election campaign or immediately before it. Who can reproach a head of state, a prime minister, or a minister

who also happens to be a candidate in the upcoming elections if a few days before the election he cuts the ribbon to open some magnificent project of national importance? To be sure, it is possible that we still have no need to apply such refined methods of getting around the election rules concerning equal access to the media. That is the conclusion to which one might come from the program entitled "Welcome Friend" broadcast over Croatian TV on the very threshold of the election campaign.

More disturbing than anything, however, is the information coming in from everywhere about the condition of the voter lists. These reports are extremely alarming and arouse serious doubts that the job can be done properly on time. Just like the work permits a month or two ago, straightening out the voter lists has aroused a new assault on the windows where residence permits are issued. In view of the slowness that has been displayed up to now in the handling of that job, we can hardly believe that anything essential will change in the short time that remains. Reports are coming in from Rijeka, for example, that not even 10 percent of the citizens who had the right to vote in the previous elections have as yet been put on the voter lists! In Split, once again, they warn of the large number of applications for subsequent registration or applications for citizenship which still have not been dealt with. It is well-known that in this respect the situation is no better in other places.

Tearing down booths and posters is neither nice nor praiseworthy, but it can be put up with; manipulation with voter lists as a weapon in the campaign struggle would be intolerable. Just as it is intolerable to prevent anyone who has the right to vote from exercising that right because of the incompetence of government administrative agencies.

SNS To Participate in Croatian Elections

92BA1203C Zagreb VECERNJI LIST
in Serbo-Croatian 8 Jul 92 p 4

[Article by S. Pavic Stazic: "Authentic Representatives of the Serbs"]

[Text] Zagreb—Although the conditions for the elections do not favor the Serbian National Party [SNS], because they place it in an unequal position, it was still said at yesterday's [7 July] press conference of the SNS that it will take part in the elections, and will do so with its own national list of 60 candidates.

One of the injustices, along with all the procedural deficiencies of the elections, said Milan Dukic, president of the SNS, is that the constitutional law restricts their right as representatives of the Serbs in Croatia to have 14 deputy positions in keeping with proportional representation of the Serbian population in the Republic of Croatia. That is why, M. Dukic said, it is not logical for the SNS to present a slate of 60 candidates, but it did this nevertheless, and yesterday it presented the first 20 candidates to newsmen.

Milan Dukic, the party's president and head of the list, gave the reasons why the SNS nevertheless decided to enter the election campaign. Because, he said, the SNS can offer not only an ethnic and civil option, but also a national list that brings together all structures of citizens of Serbian nationalities and whose candidates cover almost the entire territory of the Republic of Croatia, except for the opcinas of Titova Korenica, Obrovac, and Vojnic.

It is the task of the SNS, he said, to make a maximum contribution to achievement of democracy in the Republic of Croatia and to get the law-governed state functioning, to influence that segment of the Serbian population which should detach itself from the blindness of Milosevic's policy, to implement constitutional rights, and to see that the SNS has an equal part in the rebuilding of Croatia.

The SNS, M. Dukic said, will favor achievement of sovereignty of the Republic of Croatia over its entire territory, and the evidence of this is their slate, which includes candidates even from the areas occupied. As the party of the Serbs in Croatia, it will work out all the interests of the Serbs in a civilized and democratic way, and that means through parliamentary dialogue in the Croatian Assembly. It is the task of the SNS, as it is of the government and Supreme Command, to remove the veil of collective responsibility from the Serbian population, but also from that portion of the Croatian population which would attempt to solve the problems contrary to the principles of a law-governed state.

Another reason why the SNS did not stand aloof from the elections is that it considers that the Supreme Command and government still do not have a recognizable stance toward the position of the Serbian population in Croatia. Asked why the SNS did not put forth a presidential candidate, M. Dukic replied that they realized that this was not suitable for their party and program and that many parties had frivolously put forth presidential candidates solely to give the elections an image. The SNS will also not nominate candidates in that part of the elections being conducted on the basis of the majority system. After all, Dukic said, in such elections there are actually no Serbs in the electoral units.

Veselin Pejnovic, a candidate on the list, emphasized the problem of the participation of the Serbian diaspora in the elections. He believes, that is, that it will not be able to participate. The problem was also raised of the possibility of participation of Serbian refugees in the elections. There are about 200,000 of them, and there is a question of whether they will be able to vote, because polling places have not been designated for them as they have for the Croat exiles. It would nevertheless be very bad, it was said at yesterday's conference, if once again the SDP [Democratic Reform Party] or some other Croatian party should represent the Serbs in Croatia. Only the SNS can be the authentic representative of the

Serbian nationality in Croatia. The SNS enters the election campaign with the slogan: "For equal civil rights by democratic means."

Convention of Socialist Party of Croatia

92BA1203D Zagreb *NOVI VJESNIK* in Serbo-Croatian
6 Jul 92 p 4

[Article by Suzana Kocijan: "The Small People's Party"]

[Text] Zagreb—"The convention of the Socialist Party of Croatia [SSH] has been called in July 1992 because the president of the Republic wants to hold elections in August for the truncated Croatian Assembly at a time of wartime devastation of the Sava valley and the Dubrovnik coast, which no one has ever done in history," said Zeljko Mazar, SSH president, on Sunday, as he made the case for bringing together opstina and regional members of his party. They met in order to jointly affirm their campaign platform and candidates for the government list and in order to nominate Silvije Degen as their candidate for president of the Republic of Croatia.

Mazar added that in spite of the unfavorable circumstances, the Socialists are not afraid of the incumbent party's challenge. "Although we were outvoted in the confrontation over the election laws, we have not been silenced," Mazar said. He went on to say that the Socialists are fed up (not with bread, but with the ever larger and more numerous injustices), and that they are taking part in the election because they want a free and democratic Croatia with social justice. They see the way out in reducing the budget deficit, in stimulative measures to invigorate production and agriculture, a reduction of all taxes, especially the income tax, which is also to blame for the fact that along with salaries which are the lowest in advanced Europe, we also still have the most expensive labor. The Socialists see the way out in the concept of development of Croatia on two "seas": the Adriatic and the Pannonian, in the maritime and agricultural orientation, and in liberalization of economic legislation that is open to Europe and to the world, along with legal and property security of foreign investments and property.

In their platform, they also give importance to the freedom of trade union organization and expression, saying that they want collective agreements that are signed, not written. Although they do not promise that they will take Croatia into Europe, they say that they can bring Europe to Croatia. "We have been and remain a party of ordinary people, or, as some say, little people. These are the people who have made a great effort in conflict with the superior enemy, and their sacrifices have been extremely great in defense of the homeland. The government says that it has an understanding for them, but it has thrown the burden of rebuilding the demolished houses to them even though the Ministry of Reconstruction has been established," Mazar said.

"This time I will not say let the best man win. Let democracy, law, and justice win. If that happens, we can say that we have won," Mazar said, and he concluded with words that sound like a slogan: "With the Socialists of the Croatian parliament to join the Socialists of the European Parliament."

At the convention of the SSH, a few candidates were also presented on the government and majority lists. Dario Forza of Buje, who was one of them, said that the Socialists in Istria are fighting for a richer life, but through work, not with empty rhetoric. Academician Vladimir Stipetic noted that in their economic program the Socialists differ from the other parties, because they know how they will carry it out. Vlado Jalsovec of Beli Manastir spoke about the hopeless situation of the exiles in that "they have been denied the right to be elected, and it is also difficult for them to exercise the right to vote." Marinko Spika of Split spoke about Dalmatia's disconnectedness and isolation, while Jasna Juricic touched on the rights of women, who in her opinion are in jeopardy, explaining the positions of the Socialists in this connection and emphasizing the fact that women represent 50 percent of the electorate. Boris Muzevic of Sisak believes that this is not a time for great speeches, but for work, and he briefly saluted those present by saying "See you in the Croatian Assembly!" Nikola Reseter wished the convention success, saying: "We are the party of the little people, but of great deeds!"

The members of the SSH accepted by acclamation the messages proclaimed, the list of candidates for the Assembly of the Republic of Croatia, and also Silvije Degen as candidate of the SSH for president of the Republic.

"I am flattered and excited, but I feel no fear of the future. I am convinced that people believe in the Socialists, who are winning victories in the European world, and I assure you that Europe will vote for us," Degen said. He believes that the time of the political baroque has passed, and that Croatia must become a state of work and order. If he wins, Degen promises: "I pledge democracy with maximum limitation of presidential powers. I will immediately propose adoption of clear laws which will not be enforced in the name of the state, but in the name of the people. A spirit of truth and freedom must be a pillar of society. If I do not manage to achieve that, I will withdraw."

[Box, p 4]

List of SSH Candidates

Zeljko Mazar (Rijeka)
Silvije Degen
Jadran Vilovic (Zagreb)
Dario Forza (Buje)
Marinko Burcul (Zadar)
Boris Muzevic (Sisak)
Nedeljko Visnjic (Ogulin)
Jasna Juracic (Samobor)

Nikola Reseter (Zapresic)
Vladimir Stipetic (Zagreb)
Vladimir Kalsan (Cakovec)
Borislav Selaj (Ivanic Grad)
Vlado Jalsovec (Beli Manastir)
Branislav Gostovic (Bjelovar)
Ivan de Villa (Nova Gradiska)
Ladislav Silvasi (Karlovac)
Matko Karmelic (Brac)
Franko Bejekovic (Porec)
Boris Kozjak (Zagreb)
Ivica Loncaric (Ludbreg)
Branko Svoboda (Virovitica)
Bozidar Masic (Kutina)
Frane Deronja
Djurdja Vrban (Zagreb)
Stanko Soldatic (Rovinj)
Ratko Crnobori (Pula)
Sinisa Radan (Split)
Faruk Redzepagic (Zagreb)
Mladen Krizanac (Sinj)
Dubravka Regner (Split)
Ljubo Dujmov (Kastela)
Tomislav Santic (Trogir)
Lera Trampuz
Zvonimir Ilic (Zagreb)
Vojo Lisjak (Sesvete)
Bozidar Vid (Zapresic)
Branko Perisin (Zagreb)
Albina Crnjac (Trnje)
Ivan Grubisic (Solin)
Petar Suran (Pazin)
Zeljko Jurjevic (Buzet)
Franko Zuzic (Porec)
Ivan Gacan
Zeljko Blocic (Cazma)
Nikola Zokanovic (Zadar)
Ante Kocina (Korcula)

Parties Request Sharing of Poster Space

92BA1203G Zagreb *NOVI VJESNIK* in Serbo-Croatian
5 Jul 92 p 9

[Unattributed article: "A Campaign Poster War?"]

[Text] Zagreb—The opposition parties have concluded that they will call upon the Executive Council of Zagreb to distribute space fairly for putting up posters in the city. In the discussion, the opposition parties agreed that "they will not tear down each other's posters." But "if the incumbent party should tear down the posters of the opposition, then all the troops of the opposition parties will tear down the posters of the HDZ [Croatian Democratic Community]," Slobodan Budak said.

Stanislav Pavic and Rikard Gumzej of the HDZ turned up in the meeting of the Coordinating Committee without being invited. Pavic explained that he had come so that "as director of NARODNE NOVINE he could provide the opposition information as to where there are filing forms for candidates." Gumzej tried to pacify the opposition because there is no agreement at the level of Zagreb about places and methods of putting up posters, saying that "the HDZ has not printed its posters yet either, and the picture of the president of the Republic for posters has been scheduled only for Tuesday."

When the representatives of the HDZ left, Mario Mihaljevic said that "the representatives of the HDZ are lying to our faces, because it is well-known that they have already printed about two million posters. There are supposed to be about half a million posters for Zagreb, and we hem and haw here about how to distribute the space assigned for putting up posters in Zagreb, which can take only a few thousand posters."

Serbia's Cultivation of Influence in U.S.

92BA1207A *Ljubljana DNEVNIK* in Slovene 4 Jul 92
p 9

[Article by Maroje Mihovilovic: "Milan Panic—Patriot or Agent?"]

[Text] *Serbian regimes are adept in winning over American big shots; Milan Panic is coming to Belgrade; where will they put Slobodan Milosevic?*

The so-called Federal Republic of Yugoslavia [FRY] has gained a new prime minister. It is Milan Panic, an American businessman of Serbian descent, who has elicited numerous conflicting opinions in the last 10 days. Everyone knows him in Serbia, since for several months now the media they have been writing extensively about this owner of the California enterprise ICN and his business relations with Zemun's Galenika, which they are emphasizing as an extremely successful example of Serbia's ties with the world.

In the general gloomy atmosphere of the economy there, the Serbian media are praising Galenika so highly for two reasons: not just because it is a flourishing Serbian enterprise, but also because it happened thanks to a certain Serb, American citizen Milan Panic, the owner of the ICN firm, who emigrated to the United States back in 1960. He is supposed to have achieved great business successes there, and, according to the claims of the Serbian press, he decided to cooperate with Galenika because of patriotic inclinations, in order to help his homeland. This cooperation with Galenika is not his first deal of this type, since a year ago, it was precisely with Galenika that Panic jointly established the Boots enterprise, which failed, because he tried to use it to produce and sell some sort of fake medicine for AIDS.

The Serbian regime already realized some time ago that for the success of its hegemonic policy on the territory of the former Yugoslavia, it was important to win over international factors for it. Today everyone knows, including Belgrade, that world policy is formulated in Washington. That is why it tried first of all to use all available means to influence American policy as strongly as possible. Those responsible for Serbian policy realized very early that policy could be affected most effectively if it recruited influential people for its dealings and financially compelled them to believe that Serbian interests were also their interests. The Serbian regimes have been particularly adept in "cultivating" high American officials. They thus won over to their side, for instance, former U.S. ambassador to Belgrade Lawrence Eagleburger, now the deputy U.S. secretary of state, who was a director in the American branch of the Crvena Zastava [Red Star] automobile company for exporting Yugo automobiles to the United States. The Belgrade regime has always tried to use large companies with branches abroad to recruit and bribe foreign big shots.

Most recently Zastava's U.S. branch has no longer been suitable for such operations, since sales of its automobiles in the United States have collapsed and it has faced bankruptcy. They consequently had to seek new forms for this sort of financing of Serbian interests in the United States, and seek new companies. One of these was also Jugopetrol, whose branch in the United States is financially supporting numerous media activities of Serbian propaganda. The second of them has been Jugolinija, which has been using individual business measures to finance the activities of a member of Congress, an American woman of Serbian descent, Helen Delich Bentley, and the third is Galenika.

It is Panic who has provided the most financial support for Serbian political activity in the United States in the past year. ICN-Galenika financed the well-known American politician Birch Bayh, a former presidential candidate, who is now the most important Serbian lobbyist in Washington. It is interesting that this company's board of directors also includes John Scanlan, an American diplomat who was the American ambassador in Belgrade at the end of the 1980's.

These days Milosevic's regime needs Milan Panic in a different way. Since the Serbia propaganda operation in the United States has more or less failed, Milosevic is trying to use propaganda activity in Serbia itself to reconcile or blind all its increasingly more dissatisfied inhabitants. Milosevic himself nominated Panic to be the prime minister of the so-called FRY in order to arouse people's confidence that this successful businessman from California would save the Serbian economy from collapse.

If Panic were really an American businessman and not an agent of the Serbian regime he would have immediately rejected this offer and stayed with his business, although perhaps less successfully, since the Serbian regime would certainly have prevented him from continuing to cooperate with Galenika. Panic, however, entered the game as prime minister in spite of everything, but apparently differently than Milosevic planned. In fact, he expected that Panic would rush to Belgrade, assume his new office, and thus consolidate Milosevic's position and extend his rule. Panic, however, left for consultations in Washington, with the explanation that he had to find out how to assume the office of prime minister and still keep his American citizenship. According to the claims of Belgrade's BORBA, a big reversal is supposed to have happened in Washington. Panic allegedly sent word to Belgrade that he would accept the mandate only under the condition that Milosevic would resign—and in that case, the U.S. Government would be prepared to assist him.

Deputy Prime Minister on New Administration
92BA1183B *Ljubljana DELO* in Slovene 20 Jun 92 p 19

[Interview with Deputy Prime Minister Herman Rigelnik by Mija Repovz on 17 June; place not given: "Oath in Favor of the State"]

[Text] According to one of his colleagues, the minister is the driving force in the new government. Some people have perhaps not been enthusiastic about the steps he has taken.... He is clearly a systematic, methodical, self-controlled, and apparently almost ascetically stern person. His bushy eyebrows are probably also to blame for the latter.

[Repovz] Your acceptance of the office of deputy prime minister was nevertheless somewhat surprising. In the final analysis, the Munich LB [Ljubljana Bank] has been a real oasis of peace in comparison with Gorenje or your present job.

[Rigelnik] I have already been asked that. My answer will seem irrational: The further fate of the Slovene economy was a challenge to me. Challenges have always motivated me. When there were no challenges at Gorenje anymore, I decided to leave.

[Repovz] What is concealed behind this challenge—helping, proving oneself, expressing oneself, or what?

[Rigelnik] Cooperating.

[Repovz] Some Slovene analysts say that recently they have been meeting many Westerners here who want to be joint participants in what is being called the Slovene success story.

[Rigelnik] I think that the success story has its beginning. The question is only whether the beginning is here. In view of the situation in Slovenia, I am deeply convinced that the climb has not yet begun.

[Repovz] You have become a member of the government that the former coalition has kept accusing of not being able to be anything but a subversive communist one. Weren't you afraid of this at all? Didn't you read the newspapers in Germany?

[Rigelnik] I tried to follow events in Slovenia. Unfortunately, in Munich we received newspapers, including DELO, a week late. The news was thus already very old. In spite of that, I must say that those opposition views of the government were not an obstacle to me in making a decision.

[Repovz] No? You were, however, a member of the Slovene Central Committee before parliamentary democracy was introduced. Didn't you think that you would be criticized for that, and that you would have a hard time defending yourself?

[Rigelnik] Why would I even defend myself? I think that the Slovene Central Committee's policy in its final phase was a one-time one. At that time, as I understood it, the Central Committee was conducting a policy of the democratization of society, which also actually happened.

[Repovz] Upon his government's departure, Mr. Peterle thought that he was leaving behind a very solid legacy in the economic area, and moreover, that his government

had pulled the economy out of the mud, but someone else would devour the fruits of its hard work—thus meaning you as well.

[Rigelnik] I have never in my life built my position upon criticism of my predecessor. I have complete respect for Mr. Peterle's government with respect to Slovenia's gaining its independence. When I tried to determine what the positive results were that the previous government was leaving behind in the economic area, however, I must say that I could not discover them. They are a great mystery to me. In this regard I must emphasize that the Bank of Slovenia's monetary policy contributed to stabilization of the tolar, and also the decrease in inflation was due to it, and not to the government. We were also very lucky.

[Repovz] Can the exchange rate be expected to be kept at its present level, or will the government intervene to raise the exchange rate for the sake of the exporters?

[Rigelnik] In the beginning we thought that by intervening in the foreign exchange market, i.e., by buying a certain amount of foreign currency, we would try to raise the mark's exchange rate and thus make it possible for borderline exporters to survive. After talking with representatives of the Bank of Slovenia, who were very cooperative, we agreed that this would be done by the bank, as is also logical. The exchange rate will thus certainly be changed. This alone is too little, however. In the area of economic policy, we have also have to adopt many other measures. At the same time, enterprises have to be aware that they will not be saved just because of the exchange rate policy and other measures. They themselves have to do everything necessary to become similar to enterprises abroad.

[Repovz] The economic program that was presented by Prime Minister Drnovsek last week has short-term and long-term goals. The restructuring of enterprises and banks is in the forefront. We hear that the prerehabilitation proceedings are to include about 600 enterprises that would have had to go into bankruptcy a long time ago if it had not been for the moratorium. Do you already have an analysis of the state of those enterprises?

[Rigelnik] We are still preparing that analysis. Financial rehabilitation will have to encompass both the economy and the noneconomic sector, and it will be necessary to rehabilitate both the banks' assets and thus also the enterprises' bad liabilities. This process cannot be divided into two parts; it has to proceed in parallel. In this regard we relied on the American legislation that regulates bankruptcies and reorganizations, Chapters 7 and 11. The former deals primarily with bankruptcies, and the latter with reorganizations. Many of our enterprises will only need to be reorganized. This applies primarily to those which have certainly lost markets, but which have good management and a clear market and development philosophy. It is necessary to help them to get through this crisis. A second group includes the enterprises that are having difficulties for other reasons,

and could be put back on their feet by reducing costs. A third group consists of undercapitalized enterprises, and the process of saving them will be the most difficult. The rehabilitation of enterprises and banks is thus a multi-step process. Eliminating the bad liabilities at enterprises will also eliminate the bad assets at banks; this will partially help to lower interest rates, which are one of the stumbling blocks today.

We would try to save the public sector, which is also operating at a loss, in the same way that the Italians did before World War II, i.e., by establishing a public holding company that would gradually restructure the public enterprises.

[Repovz] According to the program, from 7.5 to 11 billion tolars would be needed to restructure the enterprises. Why such a big difference between the two numbers? What is this estimate even based on?

[Rigelnik] The estimate of the necessary funds is based on the data gathered to date. How big the problem is will be shown by the detailed analyses that we are preparing. It is already clear now, however, that many bills were put into drawers. They have to be emptied out and the bills have to be put on the table. The rehabilitation of enterprises and banks will not be completed in one step; instead, it will be a gradual, laborious job that will last for several years.

[Repovz] Because of the costs of the overall rehabilitation, i.e., of the enterprises and banks, the budget deficit is to be increased from 18 to 37 billion tolars in order to encourage the emergence of new enterprises. How will you justify that big jump to the deputies?

[Rigelnik] The government would like to end the budget year on 30 June 1992. I think that it is right to prepare a final balance sheet for the previous government and the previous budget, and make a new open balance sheet for the budget for the second half of the year, effective 1 July 1992. The new budget has to portray the problems from the past realistically, and the deficit has to be such that the state can bear it. The debt must therefore not be larger than we can handle. First of all we want to seek and utilize all domestic sources of capital formation, and only then will it be time for foreign ones.

[Repovz] Will you prepare the final and open balance sheets by the above-mentioned dates, and submit them to parliament at that time?

[Rigelnik] We all remember the situation in which the existing budget was adopted. Many problems were postponed. This time parliament will have to face the current situation and the possible ways of getting out of the crisis.

[Repovz] How will you answer possible criticisms that the government, by covering the deficit through the public debt, is trying to shift the sins of the past several decades onto the taxpayers, who are really not at all responsible for this?

[Rigelnik] The instrument that the government has available to regulate the situation in enterprises and banks is the budget. It acquires some of the funds for it by taxing citizens, and some by collecting sales taxes, customs duties, etc. The burden of the rehabilitation will thus not fall solely on the taxpayers. In addition to this, the program provides for measures to increase production, i.e., achieve better business results for the economy, as a result of which the burdens of the budget deficit will be more bearable after a certain amount of time.

[Repovz] In the last 14 days, government representatives have said a great deal about disorder in the state finances. Drnovsek even talked about anarchy. Is the disorder really that great, or does this also involve a political settling of accounts with the previous government?

[Rigelnik] I could hardly comment on the prime minister's statement, since I have not been called upon to do so. I share his opinion, however. At this time the question of how much of this disorder we can blame on the previous government, and how much it involves past results that Mr. Peterle's government did not take into account, is still open. The biggest surprise for our government was the recent maturation of guarantees for loans, for which the previous government did not provide money in the budget. Some of the loans were obtained even before Mr. Peterle's team appeared, but others are from the time of its rule.

[Repovz] According to the available data, most of the guarantees and loans that the state will have to repay would become due as early as June, and then in September. Is this really all, or will you have to experience some additional surprises, as some people fear?

[Rigelnik] A week after my arrival, our office sent all the ministries a letter saying that they should come forward with their accounts. The accounts are now arriving, and in one way or another we will take them into consideration in the budget for the coming period. I believe that not one account will remain in the drawer, since in that case each minister will have to bear the consequences himself.

[Repovz] Yesterday [16 June], Mr. Lojze Peterle (this interview was on Wednesday—author's note) said in Vienna that this government's economic program was actually a copy of Markovic's. To Slovanes, that is a synonym for a bad program.

[Rigelnik] Unfortunately, I must say in regard to this statement that Mr. Peterle is not very familiar with economic matters.

[Repovz] He also said that inflation has increased under this government and that...

[Rigelnik] I do not agree with him.

[Repovz] Specifically—has inflation increased under this government, or not?

[Rigelnik] Inflation is never a result of only current events. In Slovenia, we are encountering cost and structural inflation, and the latter cannot be curbed overnight. The Bank of Slovenia has stopped it to the extent that it could, so it will be even lower, but decisive interventions will also be necessary in other sectors. The struggle with inflation is consequently not even close to being finished. In the short term, economic policy will have to be supported through a social pact, but in the long term a development strategy and also interventionism will be needed.

[Repovz] The government can carry out part of the economic program itself, but part depends on whether parliament will adopt it. What will happen if parliament does not want it?

[Rigelnik] Because of the probable blockade in parliament, we have tried in any case to prepare two versions of the economic policy. What can the government itself do, however? It can carry out measures that have to do with increasing efficiency in the state and public sector. The Bank of Slovenia, within its jurisdiction, is conducting exchange rate policy. Parliament's consent is also necessary for a large part of the latter.

[Repovz] The bureaucratic apparatus that the government has is one of its weak points. Will the government reinforce that apparatus, and will there possibly be some replacements of officials in individual ministries?

[Rigelnik] Reorganization of the state administration is certainly necessary. We need a modern administration, adapted to Slovene conditions. The one that we have today is a result of and a reflection of the past, poorly developed and sometimes possibly also inefficient. I therefore think that a great deal of work awaits Prime Minister Drnovsek in changing the state administration. Who the minister and his deputy will be is within the jurisdiction of the prime minister and the ruling coalition. I myself will advocate having the administration be as professional and as efficiently organized as possible.

[Repovz] You do not anticipate any increases in the economic ministries that are under your jurisdiction?

[Rigelnik] I think that we have to use the people we already have as efficiently as possible. This government nevertheless has an enormous number of capable and industrious people available. I am satisfied with my colleagues, but admittedly I also brought two colleagues from Gorenje who are assisting me and who will work on the staff only as long as I am heading it.

[Repovz] Can you handle this job? An enterprise and the government are not one and the same.

[Rigelnik] Of course there are differences. In spite of this, in a certain respect the state is a complicated large enterprise, with the provision that an extremely important role is played in it by politics, which is usually in the background in an enterprise.

[Repovz] When this government came in, Prime Minister Drnovsek demanded that the ministers report their property. Why? When do you have to do it by?

[Rigelnik] The prime minister actually proposed at the first meeting that the property of each minister be inventoried according to a specific methodology. I think that he has thus tried to introduce in Slovenia a practice that is known in all Western democracies, i.e., that ministers should state publicly what they own. Everywhere in the world people who leave high positions in banks and enterprises for government bodies essentially fare worse. Working in the government cannot be a matter of profit. We will also have to promote this attitude here, while being careful that it does not turn into demagogic.

[Repovz] When do you have to do it by?

[Rigelnik] The prime minister would answer this question more precisely. I only know that I received a questionnaire in which I was supposed to write down my property—real estate and movable property, whether I own an enterprise or not. The same thing also applies to my wife.

[Repovz] One of the harmful phenomena that could be observed in the state administration in the past was insider dealings, i.e., the use of information possessed by government officials for their personal benefit. An economic ministry is particularly vulnerable to such cases. How will you prevent it?

[Rigelnik] When a minister swears an oath in parliament that he will work for the benefit of the state, he must also act that way. He has to forget about friends and so forth. Many times the state's interest is different from personal interest. This moral attitude also has to be legally regulated here, since we do not yet have such regulations. In spite of this, I believe that people are mostly honest and do not exploit their positions. In my opinion, the abuse of such information could happen primarily with large investments, large infrastructural projects, etc. In these cases, abuses can be prevented by holding public bidding.

[Repovz] Your predecessor, Dr. Andrej Ocvirk, earned himself a slightly bad reputation because of his activity on behalf of the oil lobby, specifically Petrol, when he influenced an increase in oil prices. Will you give preference to Gorenje, as a sort of child of yours, even though it has been eight years since you put it on its feet?

[Rigelnik] Gorenje is not my child, but rather primarily Ivan Atelsek's. Along with others, I only helped him in having it survive more easily the adolescent difficulties into which it fell. Since I left Gorenje, where I really did work for a long time, last year, I have not had any more contacts with it. That is my principle. Once I leave surroundings in which I have spent a large part of my life, I do not like to go back there. I have thus not gone once to Kovinotehna or Metalna. In any case, I live more or less on my own. Several times people have tried to

stick a label on me as being one person's man or another's. I have to say that I am primarily my own and my family's. To be sure, I have maintained friendly relations with several people from Gorenje, but that is all. In any case, the economic policy plan will be adapted to encouraging exports, since I deeply believe that export enterprises and tourism are the healthy part of the Slovene economy. It will only be to the extent that economic policy support exporters that Gorenje will also participate in the positive effects.

[Repovz] We hear approximately the following views of the present government's work at meetings: that the government as a group of ministers and their closest colleagues is working well, but that this is only the beginning, and God knows how long it can last. Regarding your working methods, we have heard a crude but juicy analogy, which should not be taken as an insult—that you are working like Prime Minister Drnovsek's hidden overseer.

[Rigelnik] I am hearing this for the first time. To be sure, in Saturday's DELO I read Mr. Slivnik's insinuations, always against me, although I do not know the reason. Regarding my attitude toward the prime minister, I will say this: I decided to work in the government after talking with him. We are observing the agreement. I am doing what in my opinion is beneficial for Slovenia. There is no sort of toadying between the prime minister and myself. We are very different people.

[Repovz] The question was not intended that way. It has to do with the opinion that Drnovsek's government is working in a more organized manner than the previous one.

[Rigelnik] I have been working in the economy for almost 25 years now. I consequently know what heading a government means. During talks with the prime minister and our colleagues, we ministers actually agreed on our working method very quickly. In fact, this agreement can only occur when the views on key matters—property legislation, the economic program, etc.—are approximately the same. In order for us to arrive at them, we had to have more or less similar views of the plan for Slovenia's economic and development strategy. Finally, people are only united and linked by a concept, and without it there is nothing; that is why we are also trying to prepare one at this time. The methodology of our work? I must say that I am not satisfied with it; it could be substantially better. It will certainly have to be changed, and adapted to the times and the new conditions.

[Repovz] What are you dissatisfied with, and what aren't you dissatisfied with?

[Rigelnik] I have been more or less absent from the political scene for two years, and that is why I have been pleasantly surprised by the attitude of Mr. Pucnik and also other people in the government. I must say that I currently have quite pleasant feelings about working in this government.

[Repovz] Is it true that you convey the discussions of the ministers, who of course have different views on specific matters, to committee meetings, so that you do not start completely from scratch at the government meetings?

[Rigelnik] I can only talk about the committee on the economy, which I head myself. I must admit that I was very clear in my first talk with the ministers: Only a minister can participate in a committee meeting, and his deputy can do so only in his necessary absence. Continuing as it was done in the past, i.e., with deputies, is not possible. Finally, it is a matter of the necessary joint responsibility of the deputy prime minister and the ministers. I must say that so far it has not yet happened that the ministers have not come to a committee meeting.

[Repovz] Part of the present opposition represents a mixture of bitterness, many times very exaggerated, vengefulness, weakness, and incompetence and unfortunately even ignorance. The way that you communicate with it in parliament will certainly be very important. Have you reached an agreement on this, including psychological tactics?

[Rigelnik] We need the opposition. The one that we have is a manifestation of the transition from the old political system to the new one. From an institutional standpoint, we have already gone deep into the new system. We are all essentially living with the old value systems, however. This will only change slowly. That is why there are traumas in parliament and elsewhere. I must say that I understand why this is happening. Unfortunately, the consequences are unproductive.

[Repovz] What are you thinking about?

[Rigelnik] I am thinking about the refusal by the Chamber of Opstinas a week ago to include the property legislation on the agenda. They are all aware of the importance of passing the property legislation, but in spite of that they are becoming engaged in bitter discussions along the lines of "Before, you did it to us, and now we will do it to you." I think that this is not the right answer to the challenge of the times. The opposition has to be professionally correct, and above all honest to the people, the voters, that it represents. And with respect to my attitude toward the opposition, let me say once more that I only care about solving a specific professional political problem. My door is always open. I have still never asked anyone what party he is from. That does not interest me at all.

Kosovo President on His Country's Future

92BA1182A Ljubljana MLADINA in Slovene 23 Jun 92
pp 60-61

[Interview with Dr. Ibrahim Rugova, the president of the Republic of Kosovo, by Darja Lebar in Pristina on 13 June: "New Awareness of Albanians"]

[Text] *Dr. Ibrahim Rugova, the president of the Republic of Kosovo, on the Kosovo elections, the Serbian regime and opposition, union with Albania, and a southern front.*

The Human Rights Foundation of the U.S. Congress awarded its highest honor this year to "Albanian democracy"; in October, it will be received by Dr. Ibrahim Rugova, the president of the Republic of Kosovo, and Sali Berisha, the president of Albania. To date, the award has been received by Vaclav Havel from Czechoslovakia, the Dalai Lama from Tibet, and the Chinese student movement from Tiananmen.

In the former premises of the Kosovo Writers' Society, where the Democratic Alliance of Kosovo is now temporarily residing, Ibrahim Rugova, after all the predicted newspaper delegations had taken turns visiting him, showed me a fax that had arrived for the president of the Republic of Kosovo, i.e., for him, from Washington. He added that at this time the award was very important to Albanians, and that the Albanian name was now entering Europe and the world, after the complete isolation in which Albania had lived, and in spite of the repression that was still a reality in Kosovo.

[Lebar] Can we also interpret the award that you recently received as international approval of the idea of uniting Kosovo and Albania?

[Rugova] Of course we are also counting on that, but our desire is primarily to promote ourselves as the Albanian people, to strengthen political integration, and to enter Europe. The border that has separated us from Albania has so far been too much like the Berlin wall.

[Lebar] How unnatural is the border with Albania?

[Rugova] It is completely unnatural. It is a border that has separated Albanians. We often say of Albania that it is the only state that borders on the territory of its own people.

[Lebar] For a long time now there has been speculation with predictions that Serbia and Albania will partition Kosovo. Does that seem like a real danger to you?

[Rugova] It is an old idea, and Serbia's fear since it gained Kosovo. Actually it was not Serbia that gained it, but rather the former kingdom of the Serbs, Croats, and Slovenes. Recently the idea of partitioning Kosovo has become current again. We are not consenting to it, either in Kosovo or in Albania, since in any case about a million Albanians would remain in Serbia. The Serbian regime and the opposition want to obtain a narrower Kosovo, with its mines the richest part of Kosovo, from Mitrovica to Kacanica. Kosovo cannot be divided without our consent.

[Lebar] Your party, the Democratic Community of Kosovo [as published], won a convincing victory in the May elections, and thus ensured an opportunity to establish a parliamentary political system in the Republic. Will Kosovo look considerably different after the elections?

[Rugova] We held the elections under occupation conditions. We are aware that we have to establish suitable political institutions step by step, and that the way Kosovo looks will only change gradually. Our party received most of the seats in the parliament that has yet to be formed. We are the authority *de facto*, but *de jure*... you are aware yourself: Here is Serbia, and here are the police and the army. As a party, we will try to establish democratic institutions and bring a democratic spirit into Kosovo. I could say that we had free elections, even though the elections took place at a time of severe repression. Even though we have piles of olive-gray iron above our heads, we are free in spirit and we are communicating with each other. We will not be able to afford triumphant establishment of the necessary institutions, because it is too dangerous under the present conditions. We only want to have the Serbian authorities replaced soon, without violence. This desire is not a selfish one; it would be good for Serbia above all.

[Lebar] What do you see as the reason for the failure of the other Kosovo parties?

[Rugova] It is a reflection of the current situation. Parties like the Parliamentary Party, the Peasants' Party, the Social Democratic Party, and the Party for the Unification of Albanians are smaller parties that have not even definitely promoted themselves yet. To be sure, there are differences in programs, but the main goal of all the parties is the same as far as Kosovo's status is concerned. On the basis of what has been accomplished, the Constitution, the referendum, and the elections, we are demanding an independent republic of Kosovo. In order to form the parliament, our party has proposed a combined proportional system, so that other parties can also enter the Assembly. At the same time, we also proposed the same system for the clause on the ethnic groups, I mean peoples, in Kosovo, regardless of how many deputies they already have in the Assembly who are members of the existing parliamentary parties.

[Lebar] We could say, however, that this is not a completely realistic political picture of Kosovo, since greater differences will probably appear later on with respect to the balance of power among the parties.

[Rugova] We held the elections without a previous political campaign, which would have otherwise contributed to greater differentiation among the parties. International observers were surprised by how well-organized the elections were and by their course. Of course, they were completely self-organized, since otherwise under normal conditions an enormous amount of state money is spent on elections. The results are consequently realistic in this sense.

[Lebar] Was Serbia's international isolation the key thing in deciding on the elections?

[Rugova] We already announced the elections back in March, desiring to organize ourselves politically, and by chance this coincided with the weakening of Serbia and the subsequent international measures against it. We

certainly welcomed it. Two years ago, an announcement of elections for a republic of Kosovo would have sounded completely different.

[Lebar] Is Kosovo's existence within the borders of Serbia, in a confederation, still likely?

[Rugova] That has not been in our programs for a long time now. We want an independent, open republic of Kosovo as a neutral state between Serbia and Albania. That would be the best solution for a certain period. The purpose of the elections was also to gain legitimate representatives for Kosovo, which will be a small state, like all the states that arose from the former Yugoslav republics.

[Lebar] That decision is in complete contrast with the position of even the most liberal wing of Serbian politics, which is announcing that if a southern front is also opened, several million Serbs will leave for Kosovo. Will you request a UN protectorate?

[Rugova] We have already asked for international assistance. We are also thinking about a UN protectorate, through which we would gradually approach independence. The rest of the world is also thinking about Kosovo's status. The British proposed preparing an international plebiscite on the Albanian people in Kosovo. The best solution would be for me, as the president, to assume responsibility along with several other political leaders in Kosovo.

[Lebar] Just as there were predictions of a war in Bosnia-Hercegovina, that later actually did break out, there are now more intensive predictions of the opening of a southern front in Kosovo. The occasion for it could even be the achievement of the postelection goals, and you yourself even said someplace that you would establish your own police and station them on the roads that are now controlled by the Serbian police.

[Rugova] BORBA wrote that on the day of the elections. What I said was that we would think about it somewhat later. So far we have not had any opportunity to organize ourselves at all, much less to have our own police and army. Our police were suspended two years ago, along with Territorial Defense. The establishment of a police force would lead to a direct confrontation, which we do not want. A southern front has been discussed for almost a year now. No, there will not be a front here. One side is armed to the teeth, and the other side does not have anything. It is not that we are afraid. We are here, and what happens, happens. There will not be a front; only a slaughter of Albanians is possible.

[Lebar] The demands for Milosevic's resignation are increasingly louder, along with speculations about what his departure would mean. What would his fall mean for Kosovo?

[Rugova] Not much, since the Serbian opposition still lacks a clear political and democratic concept. Individual members of that opposition participated in the

wars in Croatia and in Bosnia, and the opposition itself has not yet completely adopted a position on the issue of Kosovo and Vojvodina. Milosevic and his regime have made good use of this for their own dream of a Greater Serbian state, and tried to keep numerous peoples under a military boot. They forgot that only small peoples exist in the Balkans. Even though you Slovenes are on the edge of the Balkans, you are fortunately a little higher, and you are "so damned small." A political and spiritual reorganization of the Balkans is necessary; and first of all Serbia has to be regenerated from within, instead of continuing to seek external culprits and enemies.

[Lebar] You are saying, in any case, that there will not be a front, but Turkey has nevertheless announced that in the event of a Serbian campaign against Kosovo it would intervene militarily together with Albania.

[Rugova] If a southern front did occur, any assistance would be welcome. Albania could not remain neutral, because the Albanian people in this region are too intermingled. The announcement of Turkish assistance has usually been commented on in the Serbian media as a conspiracy of Islamic fundamentalism. No, it primarily has to do with integration processes and a new awareness in the Balkans.

[Lebar] The Serbian opposition is criticizing Kosovo's representatives because in its opinion, you turned toward Tirana before you even started a dialogue with the opposition.

[Rugova] Even as of yesterday, not one party in Serbia has recognized us—on one hand because of the Albanian-Kosovo syndrome, and on the other because of the public. They have often said that they would lose voters if they engaged in a constructive dialogue with Albanians. And why not turn toward Tirana? The vast majority of the Albanian people is there. We made contacts during the first days after the establishment of the opposition in Albania. I see here the basic problem of the Serbian opposition, to which such steps seem almost heretical. Just as in my youth, when we did not even dare to imagine Albania. The political provocation by Serbia, which has been announcing in all the media that we do not want to respond to an invitation to Belgrade, has been going on for a month now. We will get an invitation the day before we are supposed to meet with Bozovic or someone else and talk about minority issues, as they are treated in the Serbian Constitution. The repression in Kosovo is precisely a consequence of that constitution. Kosovo needs a serious dialogue with international participation. It is no longer just a question of human rights, some sort of concessions, etc. International measures have been adopted against the Serbian regime, and whom we need to talk with in Serbia is a matter for our judgment.

[Lebar] Some Serbian and also world analysts think that in Kosovo, domination by one people over another has

always alternated with the latter's dominance over the former. This time the Republic of Kosovo would produce Albanian domination.

[Rugova] The Albanians have never been dominant in Kosovo. If I just look at the situation after World War II, the authorities have always been proportional. If the president of Kosovo was an Albanian, the head of the party was a Serb, and so on down to the local communities. In the last Kosovo Assembly, there were somewhat more than 100 Albanians and about 90 representatives of other peoples, mostly Serbs, but actually there are only about 10 percent Serbs in Kosovo.

[Lebar] The Albanian people in Kosovo are more homogeneous than ever before. Bloody retaliation has been replaced by strong solidarity. Do you think that this is also due to the Serbian regime, which overlooked the possibility of such a transformation?

[Rugova] Some of our Albanians also think that Serbia has homogenized us and made us aware. I am taking a more global view. It is the new awareness of Albanians. They no longer want a subordinate life. A person gets tired of homogeneity as such in a few days, when life returns to its accustomed tracks. It is not a question of that. Since we have been separated from Albania, we have had an awareness of statehood and a desire for reunion that we have paid dearly for.

[Lebar] Today Kosovo is still within the borders of Serbia, and that means that the economic blockade applies to it as well. Can Kosovo survive it, with an economy that has already been more or less destroyed?

[Rugova] Restrictive measures have been our reality for ten years now, and for the last two years they have been the kind that the international community has now imposed against Serbia. We have been saved by small business, our private businessmen, even though they are assessed taxes twice as high as those for private businessmen in Serbia. We have survived, and we will, also because of economic and social solidarity. We will continue to call upon the international public to provide us with humanitarian assistance, since these days we have completely run out of several basic foods, like flour. We are not vengeful, but in a way we can afford the sanctions against Serbia, so that the people there will see what it means to engage in repression against others. People in the world know that the situation is very difficult for us, but we will endure, because we do not have any other choice. Above all, it is important that we have succeeded in organizing all the Albanians outside Kosovo, from Australia to Alaska. Their assistance today is invaluable.

Solidarity is also a matter for the Albanians in Kosovo. We even received this coffee that we are drinking from the inhabitants of Pristina, who know that numerous delegations come to see us. At a time when we do not even have one bank of our own, solidarity is the only realistic economic policy in Pristina.

[Lebar] Even in Kosovo, there are different options with respect to resolving the Kosovo question. Particularly among young Albanians, one can perceive a desire for armed struggle and settling the situation here. Can you say that you have all these different factions under control?

[Rugova] Radical options exist, even within our party. Radicalism has appeared among the young, who have always felt the repressive measures the most. In recent years there have been hundreds of people imprisoned, and we had cases of death primarily in the JNA [Yugoslav People's Army], from which Albanians deserted en masse during the war in Slovenia. An enormous number of young people who did not want to wage war against one of the peoples also went abroad because of this. Of course we understand the young people who also see a possible solution in an armed conflict because of hopelessness, but at the same time they are well aware that it is essentially a paradox, because they do not have anything to fight with. It is possible that there may be a rebellion, I cannot guarantee otherwise, but politically we will strive for a nonmilitant course of events.

[Lebar] What will happen with the Albanians in Macedonia, who are likewise dissatisfied, because they are being treated as a people who do not constitute a state?

[Rugova] We established a coordinating committee of Albanian political parties from Kosovo and from the areas where most Albanians live. In seeking a solution, we arrived at several possible political solutions. We respected the EC's demands for inalterable borders, and we demanded the status of a state-creating people for the Albanians in Macedonia, and somewhat more rights for the Albanians in Montenegro and southern Serbia, while we demanded republic status for Kosovo, which already has its own borders and territory. If the borders within the former Yugoslavia were to be changed, we would decide on unifying the Albanian population in one state. The last possible solution provided for union with Albania. With respect to Macedonia, I think that a national-ethnic and regional version of coexistence should be sought in it.

[Lebar] At present, minor incidents are occurring one after another in Kosovo. Do you ever get real information about the circumstances leading to this?

[Rugova] They are staged conflicts that as a rule are portrayed as an attack against the "legal government institutions in Kosovo." Immediately after the elections we had an incident in Pec, and even today we still do not know exactly what happened. The latest case is Djakovica, which was completely blocked off immediately after a message from military representatives there that a barracks was being attacked.

[Lebar] Can you go to Djakovica now as the president?

[Rugova] I could, but we know what would happen. They want to use provocations to secure an alibi for further repression.

Bank of Slovenia Governor on Financial Discipline

92BA1183A *Ljubljana MLADINA* in Slovene 23 Jun 92
pp 42-43

[Interview with Bank of Slovenia Governor France Arhar by Stanislav Kovac; place and date not given: "The Bank of Slovenia Is an Apolitical Institution"]

[Text] *Dr. France Arhar, governor of the Bank of Slovenia, stated months ago that "the subject of money is full of mysteries, possible paradoxes, and finally, something that cannot be defined." Life's experience teaches us that everything that is associated with money is likewise mysterious, paradoxical, and indefinable. That is precisely why we went to him and tried to "define" together the problem of the growing lack of financial discipline, something that is mysterious only at first glance.*

[Kovac] Since last October, when Slovenia gained its first major element of statehood with the tolar, we have been confronted by an increasingly bigger paradox: On one hand, we are witnessing a national currency that is more and more stable, and on the other, increasingly more pronounced instability of the financial environment. As the head of the most important monetary institution, how would you comment on this discrepancy?

[Arhar] The response by the Bank of Slovenia to occurrences of a lack of financial discipline is apparent in several of its measures. First of all the central bank has to establish financial discipline in the commercial banking system, and then further on in its clients, the economy and the population. The Bank of Slovenia's first measures last October were thus aimed precisely at regulating financial disorder in the area of the commercial banks. The public has not been informed about this, however, but our banks are very aware of it. These measures were concentrated primarily on reducing excessive liquidity at the banks, and even then we observed a serious lack of financial discipline at specific banks. That is why we imposed sanctions against eight banks. There were criticisms then from certain banks that their violations of regulations were only symbolic, but we [words illegible]: "Our language is figures with decimal points and figures after decimal points," which means that the central bank cannot talk about any approximate situation. It is a matter of principles, and if the central bank adopts specific measures, they have to be observed by all implementers, without any distinction. If they are not observed, the question of the authority of the central bank itself arises.

[Kovac] In spite of numerous criticisms and demands for a looser monetary policy, the Bank of Slovenia has followed the letter of the independence legislation and preserved an independent position. Aren't the attacks against the central bank precisely a consequence of its unusually consistent financial conduct, which is undoubtedly a novelty for the Slovene environment?

[Arhar] Our position with respect to the attacks over the tolar's exchange rate has already been the same one for several months now: Article 2 of the Law on the Bank of Slovenia says that the central bank is concerned with the stability of the currency and the general liquidity of payments within Slovenia and abroad. As I have already mentioned, we have recently had many foreign financial experts and bankers here, with whom we also talked about exchange rate problems. In response to a question about what to do in a situation when the exchange rate does not depend upon price trends but rather on the supply and demand of foreign exchange, all our interlocutors gave the same answer: "Why should the Bank of Slovenia consider demands to change the exchange rate, when its concern is preserving the stability of the domestic currency? Do not forget," they say, "that the tolar's stability is one of the most important factors influencing the reduction of inflation. Support for individual economic sectors and their export orientation has to come from the government." One should add to this that the Bank of Slovenia, as a "tolar factory," has unlimited possibilities in purchasing foreign exchange, since in one day we could buy up all the foreign exchange and raise the tolar's exchange rate high above the current level. But what would we achieve by this? We would be doing ourselves the worst turn; there would be an abrupt increase in the money supply, and we would return to the kind of inflationary situation that we witnessed already at the time of the Yugoslav dinar system, when it was precisely in Slovenia that the most money was in circulation.

[Kovac] Could you consequently describe the relationships between the exchange rate and inflation by the analogy of the relationship between Scylla and Charybdis?

[Arhar] We are constantly faced with two mutually incompatible demands. Our critics would like us to support a tolar exchange rate adjusted for purposes of exports, but at the same time they want to have the right money supply in circulation that will not stimulate inflation. Steering between these two shores is not acceptable to the Bank of Slovenia. That is why the amount of money in circulation is the most important thing for us, since it has a decisive influence upon our basic task—on the tolar's stability, and thus consequently also on reducing inflation. Milton Friedman, the American Nobel recipient, wrote a treatise last year in which he said, "The central bank, through its monetary policy, is exclusively responsible for inflation, and inflation is the biggest poison for the economy." I wish to emphasize once again with this quotation that the council of the Bank of Slovenia gave itself the assignment of stabilizing the tolar, and the correctness of this orientation is confirmed for us by the declining inflation and the growing foreign exchange reserves, which already amount today to about \$750 million. I also said something similar last week at the Assembly's committee on the economy: "If you ask the average man in the street whether he is satisfied with the fact that recently he

has had a fairly stable tolar for our circumstances, he will answer you in the affirmative." I am convinced that businessmen would also confirm this.

[Kovac] The exchange rate as the central economic problem also has another side of the truth, associated with inefficient management within the enterprises themselves. How much of a contribution to poor export results should be attributed to this shortcoming, which is surely characteristic of the entire economy?

[Arhar] The economy is confronted by old and new problems, from the loss of the southern market, through expensive capital, to the loss of clearing trade. In this regard, however, I would single out the business weaknesses which are associated with the internal organization of enterprises, and which require a reorganization and restructuring of the economy as soon as possible. A few days ago I was visited by a certain German businessman, who is cooperating with our enterprises. Among other things, he also mentioned to me his Slovene partners' criticisms about how low and inappropriate the tolar's exchange rate was. He critically added to this, "You can buy the raw material that you are using in Finland, Sweden, from us in Germany, or anywhere, just like us." I completely agreed with this statement. With the kind of foreign exchange freedom that currently prevails in Slovenia, an enterprise, if it has the money, can buy the necessary raw materials abroad, incorporate them into an export produce, and not pay duties on the raw materials. This means that the starting position of our enterprise is completely equal to the starting position of a foreign enterprise that is competing with it. In analyzing amortization, we determined that amortization costs here can be more favorable than abroad, and in determining the amount of wages, my German interlocutor provided the fact that for the sector in which he was operating, the wages in Germany were also up to five times higher. Where is the main cause of our enterprises' uncompetitiveness, then? In five weeks of observing the entire production process, from the initial use of production materials to the final product, according to my interlocutor, the German partners came to the conclusion that the main cause of our enterprises' uncompetitiveness lies in their poor work organization and excessive employment. This is only one of the proofs that the exchange rate does not have to be the constant culprit behind the economy's poor export situation, much less the factor that is supposed to cover the differences in efficiency of operation between our enterprises and foreign ones. One must be aware that demanding that the exchange rate keep pace with price increases will result in occurrences of hyperinflation in the near future, and that leads to economic death. That is why last week in the Assembly I also answered the comparisons by which some people are equating the Bank of Slovenia's measures with Markovic's policy by saying, "Markovic had a fixed exchange rate for the entire year, and we have a sliding one, which is a fundamental difference." On several occasions last month the Bank of Slovenia entered the exchange with our treasury notes, and bought

them back at an exchange rate of 56. Such a step by a central bank is viewed abroad as indexation, so that the exchange rate would change in the future and the other participants would also follow it. We, however, have a banking system in which certain monopolies, the very next day, have already "destroyed" all our efforts to form a new, higher exchange rate.

[Kovac] In dealing with the economic problems associated with the Bank of Slovenia's role, we also cannot overlook the issue of counterfeit tolar bank notes, and thus a penetration of the Slovene monetary system. Is counterfeiting one of the main dangers to the future stability of the tolar?

[Arhar] We Slovenes will have to get used to the fact that the stabler our money is, the more interesting it will be to counterfeiters. The danger of counterfeiting will consequently be continually present in our environment, especially because our monetary area is so small in comparison with other neighboring states, and furthermore our tolar already has internal convertibility. What I mean to say is that in the past, when we had the issuing bank in Belgrade, such problems were present in a different way. In the new situation, in which virtually every republic of the former joint state has its own currency, we are aware that every penetration of counterfeit money from the area of the states neighboring us is an attack against our monetary system. We will therefore have to fight against the counterfeiting of money in the same ways that the central banks in other states do it.

[Kovac] With the possibility of the continued counterfeiting of tolars and the spread of counterfeits to other bank notes, will the Bank of Slovenia be put in a bind over when to introduce real currency? When the tolar is really stable, or when (if) the pressure from counterfeit money is too great?

[Arhar] We will urge here that first of all we should succeed in preparing a stable basis for real money, bring inflation down below 5 percent per month, and ensure everything necessary for the technical replacement of the money, and only then also introduce real tolar bank notes. That is the first thing, and the second is the growing danger of counterfeit coupons. Depending on several factors and in general on unpredictable events in the coming months, the Bank of Slovenia will have to decide on one of the above-mentioned alternatives. In discussing the exchange of coupons for real bank notes, I would also like to point out the problem of the exchange ratio. Some people today are already advocating a change in denomination, but we are opposing a change in denomination and advocating a 1:1 exchange ratio, especially if the basic conditions for it, a stable currency and low inflation, have not been met. In the event of a change in denomination, inflation will only return to us through another door, and there will just be one more deception of the population.

[Kovac] When we talk about the tolar's stability, we cannot overlook its opposite pole—the large shortage of

money in the entire system. Can we assert that illiquidity, along with its bad sides, also has its good side, since it causes a situation in which all the weaknesses of the present system float to the surface?

[Arhar] Illiquidity is a relative concept. It is necessary to distinguish between the illiquidity discussed by those who had too much money in the past, and the illiquidity that we perceive in the system. If the Bank of Slovenia determined that someone was illiquid, it would have to intervene immediately and take appropriate measures to resolve it. So far we have not yet adopted these measures. Actually, the most serious situation involves the bank clients for whom banks are approving loans whether they want to or not, because of a bank guarantee adopted for a foreign country. The loan becomes due, the borrower does not repay the loan because it has neither tolars nor foreign exchange, but the bank has to make payment abroad when the loan is due, even though it knows that it is committing financial "suicide." The bank is thus keeping alive some entity that does not give it anything, at the expense of the healthy part of the economy. In the coming months, these are the enterprises that may be auctioned off, and the bank will not get anything, or else only a symbolic repayment. That is our society's main problem, which will have to be eliminated in conjunction with financial rehabilitation of the banks. Let me cite just one among many such examples. The director of an enterprise with 1,300 employees visited me, and said, "Listen, you will destroy us with this exchange rate." I asked him, "Why?" He answered me, "I will have a strike at the enterprise because wages are too low." When I asked him about the level of wages, he provided me with the fact that the average net wage amounts to 600 marks, which I think is a solid wage for industry. Then he warned me about the demand from the trade union, which was setting a condition of wages in the amount of 650 marks, and I told him, "My dear director, you are heading an enterprise that is not repaying a single loan to the banks, but at the same time you have such high wages. This is not realistic to me, no matter what the collective contract is like." If an enterprise does not have any money, it simply cannot fulfill collective contracts. This concept of established and acquired rights is still present in our heads.

[Kovac] We have passed legislation that regulates both the area of public finances and enterprise finances, and institutions that are supposed to implement the legislation. Why is this nevertheless not happening?

[Arhar] We at the Bank of Slovenia are aware that financial discipline is a sine qua non for good business results. Our work is oriented toward establishing financial discipline, since it is a condition for expanding financial operations by means of securities, because it is precisely this kind of financial operation that we are lacking. Even the events surrounding the cancellation of the SKB bank's guarantee in connection with Mebel's bonds had little effect on the financial environment, and are once again an example of financial disorder. The

conduct of our enterprises abroad, where financial discipline is observed differently than it is here, is interesting in this regard. Thus, the director of a certain enterprise told me last week, "The problem for me is not selling to Germany, since I know that I will also receive payment there. In this country I am not receiving payment anywhere; they do not have any money anywhere." "That is a lie," I objected, and I asked him, "Did you go into production with the intention of having it paid for, or with the intention of having Slovene society take over the problem of payment?" And the economy has to be aware of this. If enterprises enter into business arrangements with the goal of also receiving payment, they ensure it by means of appropriate instruments to insure the payment. Otherwise, if an enterprise is satisfied with just the order itself, but is not interested in the payment as well, I consider it a very irresponsible action. It is the business philosophy of the past, a practice which we have to cease immediately, and start adapting to the business rules and financial discipline known in the West. The competition that dominates there seeks out a different business partner in the event of the irregular fulfillment of obligations. Look at the good Slovene exporters and the clauses under which they do business abroad. They are very rigorous contractual clauses; if the goods are not delivered to the foreign contracting party in seven days, it has the right to terminate the contract and choose a new partner.

[Kovac] With everything that has been said, you have still not answered the question of where the cause of the lack of financial discipline lies.

[Arhar] You know where the cause of the lack of financial discipline lies—in us. All the legislation and all the institutions will not contribute to greater order, without a change in our own attitude. People's entrenched past habits and inertia are the main causes of today's financial disorder. We have good legislation, and I maintain that the independence legislation passed a year ago is modern European legislation. It does not solve the problem, however. We have remained old in our behavior at every step; wherever we appear, we repeat actions from the past. When the way of thought that has become established here will change is a question of time, a question of generations. When we start to act differently, in accordance with European standards, will depend upon coercion from the environment and upon our own will, since you know the old saying: "Necessity knows no law." In the past it was true that laws were written in Belgrade, read in Croatia, and carried out in Slovenia. Today we are writing the laws ourselves, and we are likewise also reading them ourselves, but the obstacle is precisely in the latter, in their implementation.

[Kovac] In the framework of the problem under discussion, we cannot overlook the state. Some of the old government's steps associated with its foreign borrowing and the unregulated budget are undoubtedly a bad example for enterprises and the population, and consequently the question arises of what you can even say

about financial discipline in a society in which the state is one of the joint creators of the lack of financial discipline.

[Arhar] The state is undoubtedly one of the most important factors in the financial system. From this standpoint, one should know two things about the Slovene state. The first is that it is a shareholder in the largest Slovene bank, and the second is that its maneuvering room is limited by the budgetary framework that is adopted in the Assembly and specified by the law on the budget. The discussions associated with the budget and its scope are more or less known to the public. What I mean to say by this is that the state, to be sure, is characterized by sovereignty, but sovereignty in the classic sense of the word, which differs from sovereignty in the monetary area, in which the central bank is the sovereign factor. In 1975 the Nigerian central bank found itself in court, and as a result, international financial law was faced with a dilemma over whether a state could even be sued for not meeting its obligations. This year the central banks of several states have been sued in the London court for the first time in history. It is an interesting example, especially if we apply it to our own current situation. In the tolar market, the Slovene state has to behave in the same way as all other entities, and set an example of financial discipline. The state's relations with the institutions in the financial market have to be correct and businesslike, since financial discipline begins and ends there. In this sense the Bank of Slovenia warned about the behavior of the previous government, and the warning still applies to the present one. It is only necessary to recall the process of the government's transfer of budgetary funds to the central bank. Two or three months were needed before we achieved it and the process also got under way, even though the transfer of the budget to the Bank of Slovenia

was specified by the law itself. The Bank of Slovenia did not receive any deposits, so the state would not even want to borrow from us, and we have recently also been glad of that.

[Kovac] And what is the Bank of Slovenia's position on the old government's borrowing abroad? This case is important from the standpoint of preventing any conduct within the financial system that is outside the law, even when the state is involved!

[Arhar] The Bank of Slovenia has to be correct toward all entities with which it cooperates, and consequently can only react when it also has facts on the table. Only those facts make it possible for us to determine whether they are consistent with parliament's legal decisions. We should not forget that the Bank of Slovenia is only responsible to the parliament, but in accordance with our professional obligation we have to point out all financial irregularities, regardless of whom it benefits or harms. Confidence in the central bank is the greatest capital everywhere in the world, and confidence is created by results, as well as by continually pointing out financial irregularities. In their relationship with the central bank all entities are in an equal position, even with respect to the government's foreign borrowing. Some people simply do not want to understand this, understand it differently, or perceive certain things in a very personal way. I emphasize that as governor of the Bank of Slovenia, as a rule I submit everything to the bank's council for ratification, and so far decisions have always been made by consensus. The Bank of Slovenia is an apolitical and professional institution, and cooperation with the state consequently cannot be any exception with respect to other partners. Quite the opposite—we have to preserve the greatest rigor in relations with the state.

UN Sanctions Hurt Macedonian Farmers

92BA1219A Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 15 Jun 92 p 22

[Article by D. Nikolic: "Sufferings With Vegetables"]

[Text] *Tomatoes are being purchased in Macedonia at a price of 70 dinars per kilogram, but the producers are happy if the purchasing station even wants to accept them.*

With its monetary independence, Macedonia lost the market of the former Yugoslavia, but, at least for the time being, the UN Security Council's sanctions appear to have hurt Macedonia worse than Serbia. Macedonia's growing regions—Devdjelija, Strumica, Valandovo, and others—are regions of real despair at this time; early vegetables are being offered very cheaply, and for the most part no one is buying them. At this time Macedonia is offering 80,000 metric tons of tomatoes and the same amount of paprika. The purchase price is 70 denars for a kilogram of tomatoes, but the producers are satisfied if the usually closed purchasing station even accepts it from them. They simply do not ask about the price.

How the producers of early vegetables are faring is best shown by the examples that a hundred kilograms of tomatoes have to be shipped for one kilogram of dried meat products, while—as the producers claim—3.5 tons of tomatoes or 18 tons of cucumbers have to be shipped for one color television.

Before monetary independence, and especially before the introduction of the sanctions, Serbia was the main market for Macedonian early vegetable products. After monetary independence, shipments were reduced, and trade basically took place through barter. After the sanctions, which are rigorous, barter also ceased. The transportation of vegetables to the Yugoslav "northwest" is very expensive and roundabout, and shipments to markets in Europe require refrigerator trucks and papers for barter arrangements that are very hard to get. Early vegetables, however, are not a commodity that can wait a long time. To make the difficulties even worse, banks are not recognizing the papers that the producers

obtained from the previous federal authorities. All of this has led to real agony on Macedonian fields.

Macedonian producers are seeking state assistance, the allocation of additional financial resources to compensate for producers' losses when the expensive early production of vegetables goes to factories for processing, and the expansion of commodity lists with the former Yugoslav republics. The Macedonian state authorities, however, faced with demands from other sides as well that they intervene to cure hotbeds of social rebellion, and with the commitment to preserve the stability of the currency coupon, are placing the most hope in relaxation and even cancellation of the sanctions, which could occur under pressure from the democratic public in Serbia—which is not, God knows, any certainty for the producers of goods that spoil quickly, especially since the governments of both Macedonia and Serbia have introduced several protective measures that prohibit exports of certain goods.

The Macedonian Government has formed an exchange for agricultural products, but this exchange does not satisfy the producers because it does not guarantee marketing.

There is already a "genetic fear" on the part of producers of the normal means of doing business with firms from other republics: Payment has not been received for enormous amounts of sold goods. It is possible that because of this there may be no response to Jugoskandik's offer to buy tomatoes by shipping two kilograms of type-500 flour in 25-kilogram packages, or else one kilogram of sugar, also in 25-kilogram packages, in exchange for one kilogram of tomatoes. Jugoskandik is also offering a liter of cooking oil in a plastic container for 1.7 kilograms of tomatoes.

High production and the difficulties in exporting have led to real prosperity in Macedonian vegetable markets, where tomatoes are selling for 200 dinars per kilogram. In wholesale markets, tomatoes are also being offered for 120 dinars per kilogram. These, however, are nevertheless "bitter tomatoes," since "Macedonian suffering" is also being eaten along with them.

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